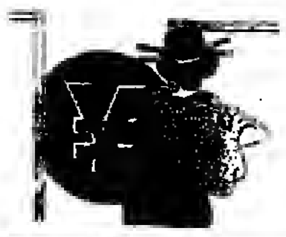
FINANCIAL TIMES



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Japan welcomes foreign managers
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The myth of social dumping
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Delco's SSC car
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Russian power and rail abuses
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World Business Newspaper — TUESDAY APRIL 2 1996

US backs Yeltsin's efforts to end war in Chechnya

Russian president Boris Yeltsin's effort to bring an end to the war in Chechnya, and to improve his chances of re-election, yesterday prompted a lull in the fighting. He received a show of strong support from the US government, which fears a communist victory in the Russian presidential elections in June. Former Soviet president Mikhail Gorbachev yesterday tried to lift his political profile by offering his services as a mediator between the Kremlin and Chechen separatists. Page 14

Peres to seek peace referendum: Israeli prime minister Shimon Peres said he would seek a referendum on a final peace agreement with Palestinians involving permanent borders, Palestinian statehood and the future of Jerusalem. Page 3

Aetna to buy US Healthcare: Aetna, one of the US's largest publicly-traded insurance groups, is to buy US Healthcare, a managed healthcare concern, in an $8.9bn deal. Page 15; Lex, Page 14

Social clauses split jobs meeting: The world employment meeting of the Group of Seven largest industrialised nations was split over whether social clauses protecting workers should be included in future trade agreements. Page 3

Scania valued at $5.4bn: Swedish truck maker Scania was valued at SKr36bn ($5.38bn) when it was launched on the Stockholm and New York stock exchanges at SKr180 a share. The Wallenberg industrial empire is selling a 50 per cent stake in the company. Page 15

Eastern states warn Bonn: Finance ministers from five eastern German states warned Bonn that sharp cuts in financial support and tax breaks could cripple investment and boost unemployment in a region still struggling to catch up economically with the west. Page 14

Tokyo market closes at four-year high: The Tokyo stock market closed at a four-year high at the end of the first day of the new Japanese business year on rising hopes of an improving economy and corporate earnings growth. The Nikkei index closed up 153.54 points at 21,560.39. Page 6; World stocks, Page 38

Shanghai shortlists airport designs: Shanghai has shortlisted three designs for its international airport in Pudong, the 500 sq km economic zone on the east bank of the Huangpu river. Contenders are Greiner Engineering of the US, Naco-Foster, a Dutch-British consortium, and Aéroport de Paris of France. Page 14

Japanese protesters angry at US presence

Protesters (above) gathered in front of a US base on the Japanese island of Okinawa yesterday, complaining about the continued US military presence in the region.

Philippines raises offer to GM: The Manila government improved an already generous incentive package in an attempt to persuade General Motors of the US to choose the Philippines for a $1bn car plant. Page 6

Ashanti bids for gold producer: Ashanti Goldfields of Ghana, a mining company partly owned by UK conglomerate Lonrho, made a C$136m ($100m) agreed offer for International Gold Resources of Toronto. Page 15

Purchasing index remains depressed: The US purchasing managers' index edged up to 46.9 per cent last month against 45.2 per cent in February, but continued to indicate depressed conditions in the manufacturing industry. Page 4

Pakistan offered $1.5bn loan: The Asian Development Bank agreed to lend up to $1.5bn to Pakistan to help in the construction of a dam and to improve the country's social sector. Page 6; Pakistan to tighten energy policy, Page 5

Air traffic chief favours sell-off: The UK's air traffic control system became a publicly-owned company, National Air Traffic Services, but chief executive Derek McLauchlan said he would have preferred privatisation. Page 8

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	5,604.84	(+17.70)
NASDAQ Composite	1,108.00	(+4.60)
Europe and Far East		
CAC40	2,085.83	(+10.88)
DAX	2,480.09	(+3.22)
FT-SE 100	3,718.4	(+18.7)
Nikkei	21,560.39	(+153.54)
■ US LUNCHTIME RATES		
Federal Funds	5¼%	
3-mth Treas Bills: Yld	5.152%	
Long Bond	91½	
Yield	6.666%	
■ OTHER RATES		
UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	95½	(95½)
France: 10 yr OAT	105.07	(104.63)
Germany: 10 yr Bund	97.15	(96.84)
Japan: 10 yr JGB	99.414	(99.341)
■ NORTH SEA OIL (Argus)		
Brent 15-day (May)	$19.88	(19.35)

■ GOLD		
New York: Comex		
(Jun)	$397.8	(398.4)
London:		
close	$394.9	(396.55)
■ DOLLAR		
New York: lunchtime		
£	1.52445	
DM	1.48225	
FFr	5.04765	
SFr	1.19425	
Y	107.515	
London:		
£	1.5254	(1.5265)
DM	1.4832	(1.4764)
FFr	5.0498	(5.035)
SFr	1.1955	(1.1904)
Y	107.525	(106.8)
■ STERLING		
DM	2.2623	(2.2537)
Tokyo close:	Y 107.525	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lev130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl5.90	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils 650	Portugal (m'land)		Turkey	L80,000
France	FFr11.50	Lebanon	L£3,000		Esc240	UAE	Dh12.00

EU rejects UK call to end ban on British beef

Ministers discuss package of measures to end crisis

By Caroline Southey in Luxembourg and George Parker in London

Britain's European Union partners yesterday unanimously rejected a call from Mr Douglas Hogg, the UK agriculture minister, for the immediate lifting of the worldwide ban on British beef.

Instead, EU farm ministers meeting in Luxembourg focused on credible measures to restore consumer confidence in beef, the parameters of a programme to eradicate mad cow disease, or BSE, and a financing package for all EU farmers, including measures to support beef producers.

Britain had proposed the slaughter of all older cattle in the UK to prevent the spread of BSE and asked the EU to fund 80 per cent of the total cost of any culling programme needed to restore consumer confidence.

Mr Hogg said the UK would remove all meat from cattle over 30 months old from the food chain. These cattle would be destroyed once they had reached the end of their productive lives, which would involve the incineration of 15,000 cattle a week.

UK officials said a more radical plan to slaughter herds of cattle infected with BSE was still being discussed with the European Commission.

Some 32,000 herds have recorded at least one case of BSE – a figure which includes 54 per cent of all dairy herds and 15 per cent of beef herds. But of those herds affected by BSE, only 30 per cent, or about 10,000, have recorded five or more cases.

A Commission official said the farm ministers had called for "radical" action to control the spread of BSE, and its eradication, in and outside the UK. "They all emphasised the need for control and implementation," the official said.

He said all ministers had dismissed the UK's request for an immediate lifting of the worldwide ban on British beef. "The overwhelming feeling was that the ban is part of the confidence-building procedure," the Commission official said.

The 14 farm ministers remained sceptical of Britain's request for 80 per cent EU funding to cover the cost of any agreed culling programme. Mr Jochem Borchert, the German minister, said the EU should provide 70 per cent of the funds needed for an eradication programme, the same levels paid to Germany to eliminate swine fever in 1994.

Before the meeting began he pointed out that Britain had pressed for the "lowest possible contribution" from the EU to pay for the German programme.

Mr Phillipe Vasseur, the French farm minister, said the British request should be used as the "basis for discussion" while Sweden said Britain was asking for too much support.

All the farm ministers pressed Mr Franz Fischler, Commissioner for agriculture, to provide safety nets for farmers across the union hit by the fall in beef prices.

In the House of Commons, Mr John Major, UK prime minister, said there would be consultations about any further measures but they would need to be carried out speedily to restore confidence.

He said the government was looking at "novel ways of ensuring that we find the right beasts" if selective slaughter was deemed to be necessary.

McDonald's criticised, Page 9
Potato disease, Page 27

SBC and Pacific agree on $17bn telecoms merger

By Alan Cane in London

SBC Communications, formerly known as Southwestern Bell, and Pacific Telesis are to merge in a deal which will create North America's second-largest telecoms company.

The merger is the first of its kind between two "Baby Bells" – the former Bell System companies which were once part of AT&T, the US national carrier.

The deal is going ahead through an SBC bid which values Pacific at $17bn, or $23.8bn including the cost of debt. The market capitalisation of the combined company is likely to be about $50bn.

Like other mergers, it has been encouraged by recent federal legislation which liberalises the US telecoms industry and allows local and long-distance operators to compete in each other's markets.

Other recent deals include the takeover of Continental Cablevision by US West; Nynex and Bell Atlantic are in merger talks.

SBC Communications, as the merged SBC and Pacific concern will be known, will have headquarters in San Antonio, Texas. It will serve the two most populous states in the US, California and Texas, including seven of the 10 largest metropolitan areas in the US.

Local markets for the merged company will include Boston, Chicago, Dallas, Los Angeles, San Diego and Washington D.C. The two companies serve over 30m lines in high growth regions and have access to over 80m potential customers. It will have more than 100,000 employees, revenues of over $21bn and annual profits before tax of close to $3bn.

Mr Edward Whiteacre, SBC chairman and chief executive officer, said the merger would benefit customers, shareholders and employees.

"In this new competitive environment, customer satisfaction, a strong market presence, efficient and lower-cost operations, a substantial financial base and innovative services will be crucial to success," he said.

The merger will involve an exchange of stock, with Pacific Telesis shareholders receiving shares in SBC. This implies a value of about $39 for each Pacific Telesis share, which represents a premium of about 40 per cent to the shares' most recent market price and a 10 per cent premium to its highest

Continued on Page 14
Lex, Page 14

French president Jacques Chirac after his opening speech to launch the two-day meeting of the Group of Seven economy and labour ministers in Lille, France. He said a 'third path' must be found between job insecurity in the US and unemployment in Europe. Picture: Reuter

Daimler workers object to share option plan

By Wolfgang Münchau in Frankfurt and Hugo Dixon in London

A plan by Daimler-Benz to introduce a share option scheme for its top executives is being questioned by employee representatives on the automotive group's supervisory board.

They fear it might cause the executives to focus too much on the performance of the group's share price.

Share option schemes are largely unknown in Germany, and have not yet been a subject of public debate. They are bound to face considerable criticism in a country where executive pay is relatively low by international comparisons and where wage differentials between managers and assembly line workers are among the lowest in the world.

Mr Jürgen Schrempp, Daimler's chairman, was yesterday in talks with Mr Bernhard Wurl, a senior official of IG Metall, the metalworkers union, and a member of the company's supervisory board, which is due to meet tomorrow to approve the plan.

Mr Wurl had previously expressed his concern about the long-term consequences of a share option scheme. But the company works council, which represents management employees, is believed to have supported the idea.

The indications yesterday were that the management representatives on the supervisory board would push hard for approval of the plan at tomorrow's meeting. But if the opposition was considerable, it could be postponed for some months.

Daimler's proposal follows the announcement by Deutsche Bank last week that it would introduce an executive share options scheme, the first in Germany.

These moves mark another stage in Germany's transition to performance-related pay structures for its top managers. The Deutsche Bank option scheme would increase the bank's nominal capital by about DM40m ($26.8m.)

Under Daimler's plan, share options would be limited to members of the executive board and the highest category of directors below board level, a group of 170 managers. Executive board members would be entitled to options on 2,000 shares a year, exercisable only if the share price rises by at least 15 per cent from the issue price.

If the plan is approved by the

Continued on Page 14

Top Japanese bank faces bond dealing probe in US

By Gerard Baker in Tokyo

A US subsidiary of The Long-Term Credit Bank of Japan, one of the country's largest banks, is being investigated by the US authorities for false reporting of bond trading at a New York subsidiary.

The incident is another big embarrassment for Japanese banks active in the US. Last summer, false reporting of bond trading was unearthed at the New York branch of Daiwa Bank, leading to the bank's expulsion from the US and a $340m fine.

LTCB officials in Tokyo were at pains to differentiate their problem from Daiwa's. They said the misreporting did not represent any intention to mislead on the part of the management, which notified regulators as soon as it was discovered.

An unnamed trader at the New York office of LTCB Trust, the subsidiary involved, is understood to have infringed the bank's bond trading rules and then misrepresented them in the bank's regular reports to the authorities. LTCB Trust has co-operated fully with regulatory agencies since the discovery of the problem in February, bank officials in Tokyo said.

No losses had been incurred in the transactions, either for the bank or for its customers. Daiwa had to absorb $1bn in losses as a result of its rogue trader.

The incident will once again raise concerns about internal management controls at overseas offices of Japanese financial institutions. Under LTCB Trust's regulations, traders are supposed to buy and sell only ultra-safe government securities such as US treasury bonds and other US government-guaranteed debt.

But in a period between September 1994 and March 1995 the trader, who left the company last month, bought $500m of debentures from a government-related financial institution, whose debt falls outside the scope of the bank's permitted activities, and $15m of certificates of deposit of Japanese banks.

These were then booked by the bank, not as securities, but as loans to stockbrokers secured on collateral – plainly a misleading description. The bank's management discovered the false reporting in an internal audit at the end of February, informed the US authorities on March 1 and the Japanese finance ministry the following working day.

LTCB said the trader had been responsible for the initial misreporting of the transactions. But regulators will be anxious to discover why the trader misrepresented the transactions if, as the bank claims, he did not know his actions had breached the bank's guidelines.

They will also want to know why the trader appears to have been able to account for the transactions himself and then misled his own management for up to a year.

Meanwhile, Sumitomo Bank, which took over Daiwa's US operations, said it would set up an inspection division at its New York headquarters to oversee the company's operations in the US.

Japan's doors are opened, Page 13

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هكذا من الأصل

Morgan Stanley blocked over liquidator for Luxembourg fund

Investors win round in $44m suit

By George Graham, Banking Correspondent

Angry investors in the failed Luxembourg Global Opportunity Fund have won a round in their battle with Morgan Stanley, the US investment bank which acted as the fund's custodian, registrar and administration agent.

The investors, who have filed a $44m (£28.9m) lawsuit against Morgan Stanley in Luxembourg, mustered enough votes to block the bank's efforts to appoint a liquidator for the fund at an extraordinary general meeting held in New York.

They are now trying to compel Morgan Stanley, which took over the fund when it collapsed in March last year, to appoint independent directors to find out what happened, but have so far received no response from the US bank.

Morgan Stanley has hit back by beginning legal action in London to recover money it claims the investors owe it.

The embarrassing legal feud is expected to drag on until at least next year, when the suit brought by investors against the bank is due to come to trial in Luxembourg.

The battle revolves around the multiple roles played by Morgan Stanley in the fund. As registrar and administration agent, Morgan Stanley in Luxembourg provided investors with monthly valuation certificates. But, as custodian, Morgan Stanley in London produced a different valuation for the fund's largest single investment, a block of warrants in an Italian telecommunications company.

The fund was actually managed in London by InterCapital Asset Management, whose managing director was Mr Geoffrey de Sibert, a former Kleinwort Benson director.

Morgan Stanley says the valuation of the Italian warrants had nothing to do with the Global Opportunity Fund's collapse. "The losses in the fund were caused by poor trading results in 1994 and by... foreign exchange and other dealings by the fund managers. Morgan Stanley was at no stage responsible for the nature of the transactions undertaken by the fund manager, nor for the performance of the fund," the bank said.

But analysis carried out for a group of investors by Lee & Allen, the London forensic accountants, shows that by June 1993 the difference between Morgan Stanley's London and Luxembourg valuations was nearly $6m.

By December 1994, the fund held 12.7m of the Italian warrants. Monthly statements to investors showed these to be worth $28.2m, 38 per cent of the fund's net asset value, while the certificate provided to the managers by Morgan Stanley as custodians showed the warrants to be worth only $13.3m.

When the fund collapsed in March 1995, Morgan Stanley seized the shares in the fund which it held as collateral for up to $52m of loans it made to allow investors to gear up. Since only $25m of assets were left in the fund by then, Morgan Stanley still has claims against investors for the rest of the money it lent.

But although Morgan Stanley now controls 57 per cent of the fund's shares, it fell short of the two thirds majority needed to appoint a liquidator at the extraordinary general meeting held at the bank's headquarters in New York.

Yeltsin breaks his sixth appointment in Kiev

By Chrystia Freeland in Moscow and Matthew Kaminski in Kiev

President Boris Yeltsin yesterday broke his sixth Kiev appointment with his Ukrainian counterpart, Mr Leonid Kuchma. The Kremlin leader will not after all make his first visit to the Ukrainian capital on Thursday because he "deems it impossible to sign accords which do not fully meet Russia's interests," said Mr Sergei Medvedev, the presidential spokesman.

Not even frantic shuttle diplomacy over the past two weeks could settle the dispute between the two countries over how to divide up the rusty 300-ship Black Sea Fleet and the associated land.

Few Ukrainian or Russian commentators had expected that Mr Yeltsin would keep the appointment. Less than three months before the presidential election – in which Mr Yeltsin faces a stiff challenge from a communist-nationalist alliance – the Russian leader stood to gain little and risked losing a lot by making the visit to Kiev.

"Why should he go to Kiev and get photographed among blue and yellow Ukrainian flags," asked one analyst. "He's not campaigning as a reformer and peacemaker."

As other ex-Soviet republics forge ever closer ties with Russia, the new integrationist zeal in Moscow has met a chilly reception in Ukraine, determined to build up its independence.

A Ukrainian presidential spokesman said the Kiev government still wants to "deepen and expand" relations with Moscow and hopes another date can be set for the "near future".

The Black Sea fleet stands at the centre of a complex divorce settlement following the Soviet Union's collapse. Crucial to the problem is the status of Sevastopol, the historic Crimean port and fleet headquarters.

Ukraine wants to base its navy there – while accepting that the Russians would also maintain a presence – viewing the base as critical to its precarious territorial integrity. Russia wants the town all to itself, drawing on the strong emotional attachment many Russians claim to the port built by Catherine the Great. Leasing terms have been discussed for nearly four years.

The two countries had agreed to divide the ships evenly, with Ukraine then handing most of its share to Russia. Ukraine last week also finalised plans to sell several nuclear bombers to Russia.

Ukrainian and Russian negotiators have long claimed that "99 per cent of all issues are settled". At earlier summits – in 1993 in Crimea, the Ukrainian peninsula, and again in 1995 in Sochi, a Russian Black Sea resort – the presidents even announced "historic" breakthroughs, only to backtrack the day after.

A Kiev meeting was always intended to sign a fleet agreement, along with a standard friendship treaty. The first summit had been scheduled for September 1994.

Boris Yeltsin takes the train: he is unlikely to travel to Ukraine before the presidential election in three months' time

Enterprise derailed in new Russia

Chrystia Freeland reports on how the country's monopolies are prospering despite market reforms

In the Soviet era, Russians held up the board-game "Monopoly" as a symbol of the cut-throat business practices of rapacious western capitalists. Today, after five years of turbulent market changes, many former Communist *apparatchiks* have grown into adept monopolists, playing with a ruthless skill which is crippling hundreds of struggling enterprises.

Russia's monopolists owe their vast power to the uncomfortable limbo the economy occupies between central planning and a free market. For 70 years of communism, monopolies were a building block of the economy. Many have been broken up by market reforms, but those that remain – railways, natural gas and electricity among them – are more powerful than ever. This is because their strict Soviet masters have given way to a weaker, more decentralised government, whose writ often runs no further than the suburbs of Moscow.

The plight of a factory manager in Siberia illustrates the nearly unlimited muscle of Russia's new economic warlords. The individual, who asked to remain anonymous, directs one of the country's few producers of railway sleepers. However, the Railways Ministry, a feared monopolist, was not paying, so the enterprise stopped supplying.

This is precisely the sort of market-oriented decision which armies of western management consultants have been trying to teach Russia's Soviet-era factory bosses to take. But, in Russia's sometimes twisted version of capitalism, it was a very bad move.

The ministry immediately cut off all deliveries to, and shipments from, the factory, which was paralysed within two days. The ban was lifted only after the manager and his deputies flew to Moscow to apologise to the minister. After keeping them waiting for 24 hours, the lord of Russia's railways received his disobedient vassals and lifted the blockade.

After that humbling experience, the manager concluded that "if we fight with the railways, our unpleasantness will be very, very great; so now we no longer quarrel with them".

Instead, the enterprise continues to supply sleepers and, in lieu of payment, is given vouchers for the shipment of goods along specified routes throughout Russia. To transform the vouchers into something that it needs, the enterprise must engage in a costly and complex barter, which can involve as many as eight intermediaries.

> Monopolies that have survived are more powerful than ever

This woeful tale comes as no surprise to senior federal government officials in Moscow, who say their efforts to regulate the monopolists are hamstrung by the reluctance of victimised managers to make public complaints.

"People complain very rarely and when they do it is usually in a personal conversation," explains Mr Evgeny Yasin, the economy minister. "And I say to them, please write this down. But they say 'No, No', and their reaction is understandable, because they are dependent and they fear that the monopoly will pressure them in ways they are unable to fend off."

It is a situation, says Mr Yasin, which sometimes makes him feel like Don Quixote "who defended the peasants but then he left and the oppressors returned".

Mr Leonid Bochin, head of the anti-monopoly committee, the government agency directly responsible for regulating existing monopolies and preventing the formation of new ones, often finds himself in the same predicament.

"The issue is that the rail ministry twists the hands of the producers in the regions," says Mr Bochin, who describes the railways as a state within a state, which engages in complex barter deals, and at one point owned 60 banks across Russia. "The victimised directors fear that if they turn to the anti-monoply committee, the ministry will twist their hands even harder."

But other government officials also warn that seeking to rein in the imperious behaviour of Russia's monopolists is a delicate business, which can have unwelcome consequences.

Mr Vadim Panskov, the finance minister, cites the government's decision last year to publish a list of "protected" organisations, after electricity companies horrified the nation by pulling the plug on strategic military sites, including a missile command centre, for not paying their bills. However, the move has unwittingly exacerbated the non-payments problem in the energy sector, by making it possible for some organisations to ignore their electricity bills and get off scot free.

"Many organisations were included in the list [of protected companies] and as soon as the decision appeared, they stopped paying their electricity bills altogether," Mr Panskov says.

One solution might be to separate government subsidies more clearly from the provision of services such as electricity or railway transport. But this is a move which Russia's most powerful monopolists oppose.

On the contrary, the country's new, post-Communist behemoths, such as the Gazprom natural gas monopoly, and the railways, argue that they should not be broken up or fully privatised because they provide important social services, which cannot be jeopardised.

Like the feudal lords to whom they are often compared, the new masters of the Russian economy know when to leaven their autocratic rule with benevolent works.

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Boom times beckon in eastern Europe

By Kevin Done, East Europe Correspondent

The economies of eastern Europe, excluding the Commonwealth of Independent States, are expected to grow by around 5 per cent this year, according to estimates by the European Bank for Reconstruction and Development.

It says some parts of east Europe and the Baltic states are beginning to be underpinned by the same factors that have supported high growth in south-east Asia for the past two or three decades.

"Eastern Europe, the Baltics and the CIS have the potential for high medium-term growth based on an educated labour force, an increasing degree of macroeconomic stability and openness to foreign trade and investment," said Mr Nick Stern, EBRD chief economist.

Inflation fell sharply in the region last year, with six countries below 10 per cent by December, while private capital inflows increased and real (inflation adjusted) exchange rates rose, driving up the dollar-value of output.

Albania, Poland, Romania and Slovakia all achieved growth rates of 6-7 per cent last year, while the Czech Republic, Estonia and Slovenia saw real gross domestic product expand by 4-5 per cent. Rising investment was a driving force for growth in particular in the Czech Republic, Poland and Slovenia.

It is the countries that embarked early on economic reforms between 1989 and 1992 that are now enjoying strong economic growth, says the EBRD. Others, notably much of the former Soviet Union, "still await positive growth".

Growth of 6 per cent is predicted this year in the Czech Republic, Estonia, Poland and Slovakia, and of 5 per cent in Slovenia, Croatia and Albania. Activity is also forecast to rise strongly from a very low base in both Armenia and Georgia.

Growth in Hungary slowed to 2 per cent last year and is expected to be similar this year as a result of tough austerity measures.

The expansion achieved in east Europe in 1994 and 1995 follows the sharp decline experienced in the early 1990s following the collapse of communism and the break-up of the Comecon trading bloc.

This year Poland will become the first country in the region to reach the pre-1990 level of output, according to the EBRD report. It will be followed next year by Slovenia.

Output in most other countries in east Europe and the Baltics is likely to return to pre-1990 levels during the next two or three years, some 7-10 years after the transition towards market economies began, says the report.

For the first time in the 1990s the Russian economy is expected to achieve some growth this year, with an increase in GDP of around 3 per cent after a decline of 4 per cent in 1995.

According to the EBRD "remarkable progress" has been achieved in controlling inflation in the region. By the end of 1995 no country in east Europe and the Baltics, excluding the CIS, was suffering from inflation of more than 40 per cent. Inflation was below 10 per cent in Albania, Croatia, the Czech Republic, Macedonia, Slovakia and Slovenia.

In several countries productivity and international competitiveness improved sharply last year, while wage levels remain modest compared with west Europe.

The volume of manufacturing output per worker rose by between 10 and 20 per cent in Bulgaria, the Czech Republic, Hungary, Poland and Romania. A more modest 4-5 per cent was achieved in Russia and Slovakia.

Monthly wages in manufacturing (before income and payroll taxes) were between $390 and $450 in the Czech Republic, Hungary and Poland, and $175 in Russia.

Despite the progress of the past two years the EBRD warns that there remains a great need for investment in infrastructure and the environment throughout the region. Few countries have successfully recapitalised and privatised the banking system or put in place effective prudential regulation and supervision.

With some exceptions, the privatisation of large enterprises has been slow, and the restructuring of companies remains at "an early stage".

Transition Report Update. European Bank for Reconstruction and Development, One Exchange Square, London, EC2A 2EH, UK. Tel: 44-171-338-6000.

EUROPEAN NEWS DIGEST

German poll figures fixed

Germany's public opinion pollsters have seen their credibility slump badly after a leading company admitted deliberately underrating a far-right party to try to prevent it doing well in a recent state election. Criticism has been mounting after the Allensbach Institute, Germany's oldest polling body, revealed it gave out low figures for the Republicans to avoid creating a bandwagon effect for the anti-foreigner party.

The party returned to the Baden-Württemberg state assembly on March 24 with 9.1 per cent instead of ending up under the 5 per cent minimum as Allensbach (and other pollsters) had predicted.

Allensbach co-director Ms Renate Koecher defended her decision by saying that her prediction of a strong showing for the Republicans in 1992 had caused an uproar that actually helped whip up support for the party. *Reuter, Bonn*

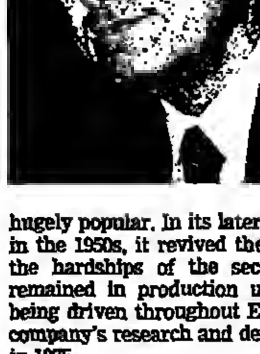
Italian industrial job losses slow

Italian employment in industrial companies with more than 500 workers fell 1.2 per cent in December from the corresponding month of 1994, and was down 1.4 per cent from November, the state statistical office, Istat, said yesterday.

This follows a revised year-on-year fall in November of 2.4 per cent and of 3 per cent in October. The December figures confirm a continued slowdown in the fall in employment in the course of the year.

Istat's monthly indication of changes in industrial employment is one of the few monthly indicators of Italian unemployment trends. Istat also said average gross earnings per worker rose 2.3 per cent in December over the same month of 1994. *AP, Rome*

Designer of Fiat 500 dies



Mr Dante Giacosa (left), the car designer known as the Father of the Fiat 500 who gave Italians some of their best-loved vehicles in 40 years at the Turin-based carmaker, died on Sunday aged 91. "Giacosa made Fiat what it is today," the company's managing director, Mr Paolo Cantarella, said yesterday. Mr Giacosa joined the company as an engineer in 1928 and was credited with creating the original Fiat 500, first introduced in 1936 as the "Topolino" or Mickey Mouse car. The car – small, rounded and very economical – proved hugely popular. In its later guise as the Nuova 500, introduced in the 1950s, it revived the spirits of a nation emerging from the hardships of the second world war. The later model remained in production until 1975, and thousands are still being driven throughout Europe. Mr Giacosa was head of the company's research and development division when he retired in 1975. *Reuter, Turin*

Orders gloom lifting in France

French wholesalers do not expect to have to reduce their orders further, according to a survey by the Insee national statistics bureau. However, orders in the construction and semi-finished goods sectors will probably weaken, the study indicated.

Overall, inventories during January and February continued to shrink, particularly for consumer goods. They are now viewed as being at normal levels. Wholesalers also said their sales during that two-month period improved slightly after having fallen in the previous six months. Sales improved in the consumer goods and food sectors, but continued to fall in the equipment and semi-finished agricultural goods sectors.

France's gross domestic product shrank 0.3 per cent in the fourth quarter of last year; for the entire year, it slid to 2.4 per cent from 2.9 per cent. The government is forecasting growth around 1.3 per cent this year. *AP, Paris*

French new car sales rise 3.3%

New car sales in France rose 3.3 per cent in March to 192,000 from 186,000 a year earlier, the French carmakers' association said yesterday.

During the first three months of the year, sales of new cars rose 12.2 per cent compared with the same period a year earlier to 553,900. The quarterly figure was boosted in part by very strong January sales, which included cars that couldn't be delivered in December because of nationwide strikes.

Sales of Renault cars rose 1.9 per cent in March to 55,400 and grew 1.7 per cent in the first quarter. Sales of Peugeot-Citroën cars fell 1.5 per cent to 55,500. That includes a 10 per cent drop at the Peugeot division partly offset by a 13 per cent rise at the smaller Citroën unit, but total sales during the first quarter rose 8.5 per cent. French carmakers took 57.8 per cent of the domestic market in March and had 57.2 per cent for the three-month period. *AP, Paris*

Sicilian bishop in EU fraud case

A Roman Catholic bishop in Sicily was ordered yesterday to stand trial on charges of corruption and fraud involving European Union funds, judicial sources said. They said Bishop Salvatore Cassisa of Monreale, near Palermo, was ordered to stand trial on July 18.

Bishop Cassisa was charged with corruption in connection with bribes alleged to have been paid by a company awarded a contract to renovate the Arab-Norman cathedral at Monreale. He was also charged with fraud for allegedly overstating the amount of vineyards the church owned to obtain an EU agricultural grant.

Bishop Cassisa, 74, denies the charges. *Reuter, Rome*

ECONOMIC WATCH

Turkey puts growth at 8.1%

Turkey claims economic growth was 8.1 per cent last year, more than making up for a 6.1 per cent contraction in 1994 when the country slid into its worst recession on record. According to the state institute of statistics, gross domestic product rose to $165.5bn, raising per capita income by more than 30 per cent to $2,685. However, economists emphasise that the unrecorded economy is now so large as to make official national income and growth figures unreliable. Bankers say their corporate clients evade up to 90 per cent of their taxes and estimate the unrecorded economy could be as large as official total GDP. One Istanbul banker claims Turkey's economy actually grew modestly in 1994.

The new conservative coalition government of Mr Mesut Yilmaz has scaled back growth forecasts this year from 6.5 per cent to 4.5 per cent, although this may be too optimistic if ministers are serious about aggressive anti-inflation policies. Prices rose 78 per cent last year, down from 126 per cent in 1994. *John Barham, Ankara*

■ Belgian GDP rose 1.8 per cent in the fourth quarter of 1995 to a provisional BFr1,470bn (£31.7bn) from the third quarter, and was 0.7 per cent higher than a year earlier.

NEWS: EUROPE

Brussels warns on Spanish TV venture

By Neil Buckley in Brussels and David White in Madrid

The European Commission has warned participants in a Spanish cable television joint venture that they could face heavy fines unless they formally notify the Commission of the deal.

Mr Karel Van Miert, the competition commissioner, has told Canal Plus, the French pay-TV company, and Telefónica, the Spanish telecommunications group, that by failing to notify the Commission of their venture, called Cablevisión, they are contravening EU competition regulations – even though the Spanish government has given it the go-ahead.

Telefónica, which has 51 per cent of the venture, and Canal Plus's Spanish subsidiary, with 10 per cent, plus several other partners, plan to set up a series of regional cable television operations. They already have pilot projects in Madrid and Barcelona.

Although the Spanish competition tribunal recommended against allowing the project to proceed because it felt it was an abuse of Telefónica's dominant market position, the Spanish government before the recent general election allowed it, with certain conditions.

These included the requirement that Telefónica should give access to its cable network to any other operators.

The government argued that since France's Canal Plus had only a 25 per cent stake in the Spanish subsidiary, the deal was a national rather than international one, and did not require Commission approval. The current caretaker government has maintained this line.

But the Commission says that since the French parent has the right to appoint more than half the Spanish subsidiary's board, including the managing director, this gives it effective control. That makes the venture a cross-border one, under the jurisdiction of Brussels.

Telefónica claimed yesterday to have supplied "abundant documentation" to Brussels, and said it would provide any other information the Commission required.

But Commission officials accused Telefónica and Canal Plus of "hiding behind the Spanish government". They said the partners could face an initial fine of Ecu50,000 ($62,500) for failure to notify Brussels and further fines of up to 10 per cent of the venture's turnover if they continued to avoid EU scrutiny.

The European Commission has criticised changes to Belgian, German and Italian excise duty arrangements which it said risked creating long delays at the European Union's external road borders, Reuter reports from Brussels.

The three countries have changed the rules about the sealed lorries carrying the blue TIR plates which signify compliance with the International Road Transport convention, amid suspicion of widespread fraud.

The United Nations Economic Commission for Europe said in January that lorries carrying TIR plates – which are usually waved through European customs posts without inspection – were involved in fraud amounting to $118m last year.

National duty guaranteeing associations in Belgium, Germany and Italy have suspended cover for "sensitive goods" – a euphemism for those prone to fraud, mainly agricultural products.

Recession and job losses hit German building industry

By Peter Norman in Bonn

Germany's building industry is in its first recession since unification and facing the loss of 80,000-100,000 jobs this year, the Munich-based Ifo economic research institute reported.

Investment in construction is expected to fall nationwide by 2.3 per cent in 1996 after a sharp deceleration in growth last year to only 1.2 per cent from 7.8 per cent in 1994.

Ifo expects a moderate 4 per cent expansion in construction output in eastern Germany this year after growth of roughly 10 per cent last year and 21 per cent in 1994.

However, eastern German growth will not be sufficient to offset the anticipated 5 per cent fall in western German output.

The institute forecast that the building industry recession would reach eastern Germany next year, with output in the new Länder declining more sharply than in the west so that overall investment in construction could fall by another 2-3 per cent in 1997.

Ifo said that the completion of new homes could fall to 595,000 in the whole of Germany this year from an estimated 613,000 in 1995, with demand in the western Länder bottoming out in the course of the year.

The outlook for commercial property development in the west was bleak because of oversupply of offices and hotels and the growing tendency of manufacturing industry to invest abroad.

In eastern Germany, Ifo forecast a 10 per cent increase in investment in new homes in 1996 but a 2 per cent fall in spending on commercial property and only 2 per cent growth in public sector construction investment.

Dresdner chief's tax plea

By Andrew Fisher in Frankfurt

One of Germany's leading bankers yesterday made a sharp attack on the country's tax system and high tax rates, blaming them for hindering investment by industry, thus harming employment.

Mr Jürgen Sarrazin, chairman of Dresdner Bank, also criticised the effect on banks and Germany's status as a financial centre of recent highly publicised raids on Dresdner and other banks in a tax evasion inquiry.

> The tax system 'nourishes dissatisfaction and arouses resistance'

The tax raids – also affecting Commerzbank, Merrill Lynch of the US, Hypo Capital Management (part of Bayerische Hypotheken und Wechsel Bank) and others – have been aimed at finding out if customers evaded tax by transferring funds to Luxembourg, Switzerland and elsewhere and if banks helped them.

"The campaign initiated by the tax authorities against the banks is not suited to improving tax morality," he added.

He agreed that measures had to be taken against tax evasion, but criticised "the defamation, even criminalisation" of the bank's employees and customers through the raids.

"This situation is intolerable and also harms our financial centre," he said, arguing that customer confidentiality scarcely existed any more. He made a clear link between Germany's high income tax and corporation tax rates and taxpayers' desire to side-step these where possible.

A system which lacked transparency and often left those taxed with net income of less than half what they had earned "nourishes dissatisfaction and arouses resistance". The system also led to "undesired side-effects" – a clear reference to the tax raids.

He did not give any detailed proposals for reforms, but said they should be wide-ranging "with no sacred cows". He said politicians had so far rejected many serious proposals.

The government does plan to reduce business and wealth taxes and the 7.5 per cent solidarity surcharge levied on income tax bills – the top marginal tax rate in Germany is 53 per cent – but people on high incomes have many ways of reducing tax liabilities through special investments, write-offs and expenses.

Dresdner Bank results, page 16

Jürgen Sarrazin, chairman of Dresdner Bank, criticised tax raids

Slovenia's main mutual fund facing charges

Slovenia's Securities Market Agency said yesterday it had filed a court case against the country's largest mutual fund, Proficia Dadas, on allegations of irregular stock trading practices, Reuter reports from Ljubljana.

"We found out the fund was pushing prices up by trading between the companies connected to the fund, therefore we filed a court case on Thursday to bar the fund from trading," said Ms Lidija Nikolic, head of the legal department at the Securities Market Agency.

She said the fund also had unsatisfactory business reports and an excessive concentration of its portfolio investments.

The agency said the fund had strong capital connections to brokerage, Dadas, and financial consultancies, Primofin and Finmedia. The Ljubljana bourse on Friday halted trading in Dadas, Primofin and Finmedia.

The agency said: "We are waiting for more information on recent events from the three companies. Trading in them is expected to resume this week."

Proficia Dadas yesterday denied any wrongdoing.

Last year Proficia Dadas recorded the highest profit among Slovenia's 12 mutual funds, totalling some 50 per cent return on capital.

The news hit the country's stock market, which closed at a new low for 1996, down 2.47 per cent to 1,273.85.

"The agency's action will prove to be beneficial in the long run because it will limit monopolies on the market. But in the near future large falls can be expected," said Mr Gregor Kastelic, an analyst at Creditanstalt. Other market participants were not so optimistic and said the agency's action could result in a collapse of the market.

Women's retirement age expected to rise in plan to save DM10bn

Bonn to act on pension reform

By Michael Lindemann in Bonn

Mr Norbert Blüm, Germany's labour minister, is planning a number of changes to Germany's pension system, part of a larger package of cost-cutting measures due to be introduced after the Easter break.

Mr Blüm plans to raise the retirement age for women from 60 to 63, reduce the pensions payable to ethnic Germans returning from Russia and elsewhere and force the state-owned pensions funds to sell off property holdings, according to German press reports.

Time spent on apprenticeships will no longer count towards pension payments and companies will be forced to transfer payments to the state-run pensions systems every two weeks, instead of the present monthly transfer, thereby increasing the system's liquidity, reports said.

The measures are aimed at saving about DM10bn ($6.7bn) and ensuring that pensions contributions are kept below 20 per cent of gross wage costs. They currently represent 19.2 per cent of gross wage costs.

> Pensions contributions are to be kept under 20% of gross wage costs

The Labour Ministry yesterday declined to confirm the reports. However, a spokesman said a complete package of savings would be discussed by Chancellor Helmut Kohl's government after April 15 when business resumes in Bonn. The spokesman added that Mr Blüm had repeatedly said that savings needed to be made but that these should be done "sensitively". "We do not want to take part in a chaotic discussion at the moment," the spokesman said.

Keeping the costs of pension contributions down is an important priority for the government because they have such a direct impact on wage costs, already among the highest in the world.

Mr Kohl has warned that following the three state elections last week difficult spending cuts would have to be forced through. The press reports have also suggested Bonn would have to forego a pensions increase due in 1997.

The VdK, which represents German pensioners, wrote to Mr Kohl yesterday reminding him of commitments he had made to pensioners before the elections in Baden-Württemberg, Rhineland-Palatinate and Schleswig-Holstein.

NEWS: INTERNATIONAL

Social clauses divide G7 jobs meeting

By Robert Taylor in Lille

Deep divisions at the world employment meeting of the Group of Seven largest industrialised nations emerged last night over whether social clauses protecting workers should be included in future trade agreements.

The US government, which until recently was itself divided on the issue, last night indicated it would be supporting France and the International Labour Organisation in demanding that labour standards be embraced in today's communique concluding the two-day meeting.

However, strong opposition to the inclusion of social clauses in trade agreements was last night still coming from Japan, Germany, the UK, Canada and the Organisation for Economic Co-operation and Development. The European Commission has still to declare its position, because of continuing differences of opinion between its financial and labour experts.

The G7 comprises the US, Japan, Germany, France, Italy, the UK and Canada.

Although the social clause issue is only being discussed over today's lunch and not in a formal conference session, it threatens to disrupt the public unity of the conference. The issue was pushed forcibly to the forefront yesterday morning by Mr Jacques Chirac, the French president, who reaffirmed France's support for the proposal in his opening speech to the conference.

He said the liberalisation of world trade and the development of employment could "not be dissociated" from respect for universal labour standards that involved acceptance of freedom of trade unions and collective bargaining as well as the abolition of forced labour and exploitation of child work.

"For greater freedom of trade to be possible and to legitimise it, a few basic rules must be applied by one and all so as to guarantee the dignity of the working man, wherever in the world he may be," he said.

Mr Chirac added that differences in wage levels, social security and labour laws would be "less and less tolerated as international competition grew in intensity".

He added that people in the industrialised nations were "becoming better and better informed about forms of labour abuse and rightly judge them to be intolerable".

Although Mr Chirac's backing for a reduction in government deficits and tight control of public spending were welcomed by the UK government, there was criticism for his view on social clauses. Mr William Waldegrave, the UK's chief secretary of the treasury, said such a proposal was in danger of being "protectionism by the back door if we are not careful", while Mrs Gillian Shephard, the country's employment and education minister, said that such an approach "would not be helpful for developing countries".

However, Mr Padraig Flynn, EU social affairs commissioner, will tell ministers today the social clause issue must be faced and discussed. He wants to see the proposal on the agenda at December's Singapore World Trade Organisation meeting.

Further support for social clauses came from Mr Michel Hansenne, ILO's director general, who said that "if the stresses and strains resulting from the movement towards an integrated, market-oriented world economy was to be accepted by working people, some basic assurances that competition was not being pursued at the price of fundamental human rights was indispensable".

"Pure market criteria might dictate maximum labour market flexibility without protectionist guarantees. But this would clearly be socially unacceptable," he said. "It would impose an intolerable burden of insecurity on workers, aggravate inequalities and breed social resentment."

Peres to seek referendum on peace agreement

By Avi Machlis in Jerusalem

Israeli prime minister Shimon Peres yesterday said he would seek a referendum on a final peace agreement with Palestinians involving permanent borders, Palestinian statehood and the future of Jerusalem.

Mr Peres' proposal, if carried forward, could well complicate the lengthy final status talks between Israel and the Palestinians set to begin in May.

He is to ask his Labour party, the coalition's senior partner, "for a mandate to hold negotiations on the final status accords, to announce we will bring it to a referendum".

The remarks, made en route to the Arab Gulf state of Oman, are a sharp shift from current government policy, and apparently aimed at attracting floating voters who could determine the outcome of next month's national elections.

Mr Peres yesterday visited Oman, and today makes a landmark trip to Qatar, the first Israeli prime minister to do so, in an attempt to strengthen economic ties between Israel and Arab Gulf states.

Political experts said Mr Peres' visit was also meant to promote his vision of a new Middle East and highlight Arab-Israeli co-operation unfolding along with the peace process, ahead of Israeli elections. While in Qatar Mr Peres is expected to announce the opening of an Israeli economic representative office in the Qatari capital, Doha.

He will also visit the Ras Laffian natural gas fields. Israel last October signed a memorandum of understanding with Enron of the US for a $2bn project to supply Israel with natural gas from Qatar. The deal was the first between Israel and a Gulf state.

Details of the project have not yet been finalised and Mr Peres is expected to discuss the deal while in Qatar.

Mr Peres was warmly welcomed upon landing in Muscat despite the lack of diplomatic ties between the two countries. He later met Mr Qaboos bin Said, the Omani Sultan.

Although Israel does not have full diplomatic relations with Oman or Qatar, both Gulf states have accords with Israel for exchange of trade missions.

Oman has maintained quiet contacts with Israel since the 1970s. Qatari ministers recently made strong statements favouring promotion of full peace with Israel and integrating it into the regional culture and economy.

Meanwhile, Palestinian leaders sharply criticised both Gulf states for hosting Mr Peres while Israel maintains its five-week-long closure of the West Bank and Gaza after a spate of suicide bombings in Israel by Palestinian extremists last month.

Israel yesterday slightly eased the closure by allowing 3,000 Palestinians to work in Israel. Before the closure, however, approximately 60,000 Palestinians had jobs in Israel.

● Japan had donated $21m to the Palestinian Authority for health and education projects in the self-rule areas, PLO officials said yesterday, Reuter reports from Gaza. The PLO said this was the first time a foreign country had donated funds directly to the self-rule administration rather than channelling the money through the UN or World Bank.

Angola's war is ending, but the economic hell drags on

The conflict always obscured policy, writes **Michela Wrong**

Expatriates call it "the City of the Thousand Smells".

There is the stink of urine in public buildings and the whiff of sewage as the rain-flooded drains empty their contents. And there is the stench of rotting rubbish piled by the roadside, a sun-baked buffet for rats, dogs and street children.

For the capital of Africa's second-largest oil producer and the world's fourth largest diamond producer, Luanda is in bad shape. In a continent of collapsing cities, few have disintegrated more dramatically.

Huge sections of town are plunged into darkness at night as the electricity fails. Water supplies are sporadic and tainted, triggering yearly outbreaks of cholera. In the squalid suburbs, the residents' reddening hair attests to malnutrition. At every traffic light, *mutilados* with stumps left by landmines, compete with ragged urchins for handouts.

The youths loitering on the sea-front, whose colonnaded Portuguese colonial buildings still retain some faded elegance, are in better shape but face an equally bleak future. With 45 per cent of the population under 15 and unemployment soaring, they are unlikely to find work. Their existence will be nasty, brutish and short: average life expectancy is 46.5 years.

A two-week cut in all water supplies to Luanda, the latest inconvenience in the long-suffering Angolan capital, has been traced to a gang that stole metal supports from electricity pylons, Reuter reports from Luanda. Police said they had arrested 16 people who stole angle irons supporting pylons supplying the city's water treatment plant. During recent heavy rains, the pylons collapsed and the water supply dried up. The angle irons had been used to build windows and doors for homes. Taps throughout the city of 3m people have been dry for more than 15 days. Trucks have been ferrying water from the Bengo River.

"Angola," says a diplomat, "has among the worst socio-economic indicators not just in Africa, but in the world."

The official explanation is the war with Unita. Two decades of civil strife and superpower interference forced the authorities to channel oil revenues into maintaining an enormous army, put large sections of the country off limits to farmers, prevented the free movement necessary to trade, created a population of refugees and lost the authorities control of Angola's lucrative diamond-producing areas.

But as negotiations with the guerrilla movement grind on and peace begins to seem a real possibility, some observers are looking further for explanations of the extent of the decline.

"Perhaps the highest cost of the civil war is that it has taken attention away from the disastrous economic policies that have impoverished the people," says an African economist. "So much has been squandered."

Winning independence in 1975, Angola's Popular Movement for the Liberation of Angola (MPLA) followed the Marxist route, introducing a system of centralised planning modelled on the Soviet Union in an economy short of skilled and educated labour after 90 per cent of its Portuguese settlers had fled the country.

Inefficient state-owned companies and a cumbersome bureaucracy stifled initiative, artificially-low prices kept the urban population happy but penalised business, foreign debts piled up and money was recklessly printed to cover yawning budget deficits.

By the late 1980s it was clear reform was badly needed and in 1990 the government announced the adoption of a market-driven economy. Price controls were lifted, the kwanza devalued, companies prepared for privatisation. The 1992 resumption of the war, and increasing resistance from insiders who saw their privileges being whittled away, dealt these plans a big blow.

But critical scrutiny started to focus on the system whereby a small elite with ministerial access was allocated foreign exchange, allowing massive profits to be made on the differential between official and black market rates.

And the arrangement whereby state oil company Sonangol serviced credit lines contracted by the government with oil deliveries, bypassing the finance ministry and central bank, also began to be seen for what it was – a parallel system of public finances offering unrivalled opportunities for corruption.

In recent years the government has shunted backwards and forwards, as reformers and the World Bank and International Monetary Fund push for change and former socialists warn of the danger of street riots. "But each time the constituency that believes reform cannot be shelved is getting bigger and more vocal," says one economist.

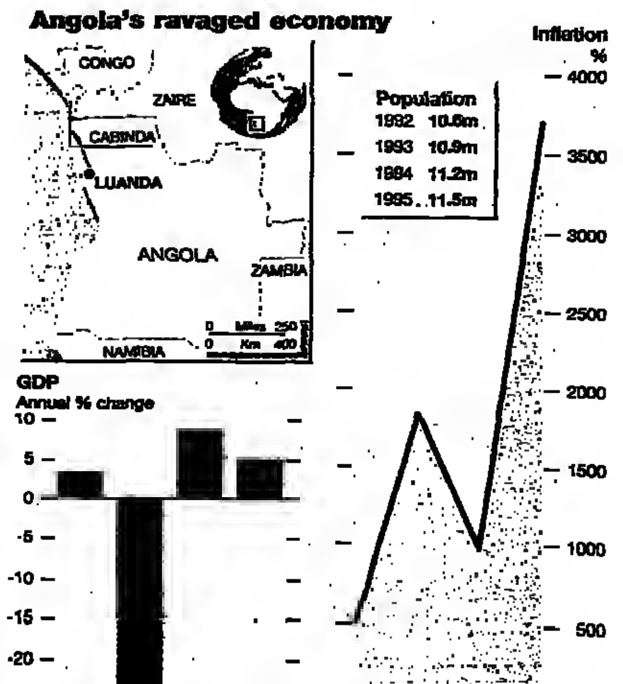
Last year's economic performance, the worst on record, strengthened the reformers' case. Inflation hit 3,700 per cent. A fifth of the population was dependent on aid for survival. A government think tank is now working on a new reform package for approval this month.

Unless the MPLA takes drastic measures, it will remain cut off from structural adjustment support from the IMF, ruling out a rescheduling of its massive official debts. The $1bn in aid promised by donors last September to rebuild the country could also be compromised. "The one billion could be a pie in the sky or a pie on the table depending on two factors: peace and economic reform," said a donor representative.

If Angola's slide gets any steeper, the MPLA risks playing into Unita's hands as it prepares a new future as a political opposition movement. Mr Jonas Savimbi, Unita's leader did, after all, win the support of 40 per cent of the population in the 1992 polls.

"The MPLA knows its management of the economy means it could run a serious risk of defeat in the next elections, especially if the war is not there to scare the population," says a western diplomat. "The party is going to have to deliver something more than peace and security if it wants to win. To do nothing is akin to suicide."

Angola's ravaged economy



Source: Angolan government, World Bank, EIU

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Field for vice-presidential candidate has been stripped of most prominent names

Dole urged to choose young running-mate

By Jurek Martin in Washington

Senator Bob Dole, now taking a few days off in Florida, is not lacking for advice over whom he should choose as Republican running-mate in the November presidential election.

While most attention focuses on the Republican governors of the four big Midwestern states where the majority leader needs at least a split to beat President Bill Clinton, he is also being urged to consider a younger, more charismatic partner to offset his age and reputation for dourness.

The potential field is now stripped of some of its once most talked-about candidates. Retired General Colin Powell, easily the most popular choice, continues to insist he is not available, as last week did Governor Christie Whitman of New Jersey.

Governor Pete Wilson of California would be a drag on the ticket even in his home state, exit polls from last Tuesday's primary showed. Of those Mr Dole defeated en route to the Republican nomination, former governor Lamar Alexander of Tennessee and Mr Steve Forbes, the magazine publisher, have taken themselves out of consideration; Senator Phil Gramm of Texas is now concentrating on running for re-election.

Another erstwhile candidate, Senator Richard Lugar (Indiana), gets a mention, but more often as prospective secretary of state for defence.

He comes from a Republican state in Mr Dole's pocket and would bring experience rather than distinctive style or regional balance to the ticket.

Senator John McCain of Arizona is a favourite with some pundits. The former Vietnam prisoner of war has emerged as one of the Senate's most thoughtful leaders. Sufficiently conservative that he first backed Mr Gramm in the initial caucuses, he has proved a moderating influence on foreign policy issues ranging from Vietnam to Bosnia.

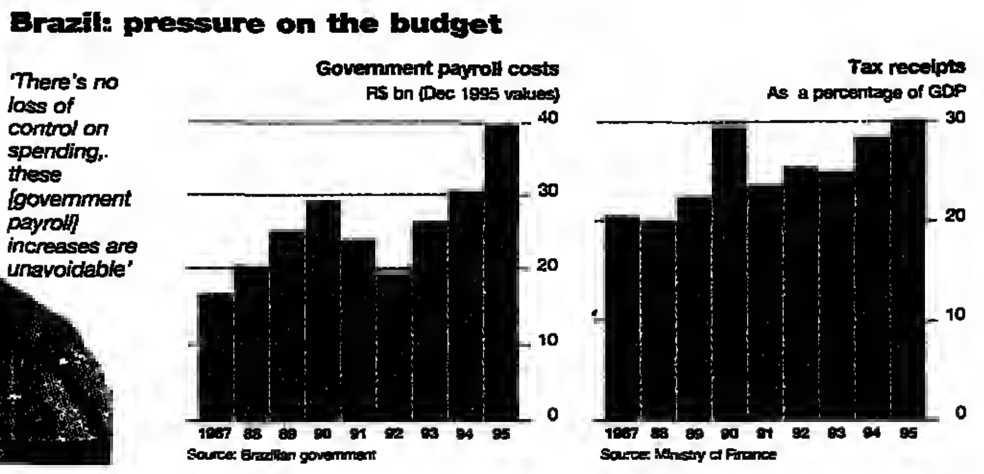
Some rightwing pundits, including Mr William Safire of the New York Times and Mrs Arianna Huffington, wife of the former senate candidate in California, have been pushing Congressman John Kasich of Ohio, the young and energetic chairman of the House budget committee. Mr Kasich, 43, would certainly constitute a link to the conservative Contract with America manifesto, about which Mr Dole has always been lukewarm. A group of House freshmen, who believe they owe their election in 1994 to the Contract, want the majority leader to choose one of their own but few are well enough known to command obvious attention.

Two exceptions in that class, and favourites of some rightwing talk show hosts, are young former football stars, both from Oklahoma. They are Congressmen J.C Watts, who is black, and Steve Largent.

Most frequently mentioned candidates are four governors who appear to fit most Mr Dole's requirements: Messrs John Engler (Michigan); Jim Edgar (Illinois); George Voinovich (Ohio), and Tommy Thompson (Wisconsin).

Skeletons in the cupboard bode ill for Brazil

Until reforms are undertaken, the budget will remain fragile



Brazil unearthed the first big skeleton from its high inflation past last month when the government agreed to inject at least R$2.2bn (£1.5bn) into the country's largest bank, Banco do Brasil.

The announcement, and the suspicion that plenty more skeletons remain hidden, highlighted the fragility of the government's budget and its difficulties in bringing spending under control.

Banco do Brasil's bad debt problems have been mounting for years but were concealed until 1994 by high inflation, which allowed the government and banks to benefit from the daily fall in the value of money.

By delaying paying benefits or salaries, the government kept real spending under control. Banks earned money by investing overnight deposits on which they often did not themselves pay interest.

But inflation's sharp fall since June 1994 stopped the banks' windfall profits and restored reality to the public sector's finances.

The government's operational deficit, which takes account of inflation and interest payments, last year recorded a deficit of nearly 5 per cent of GDP, its worst performance since 1989.

Government and private sector economists agree the deficit will fall this year, probably to about 3 per cent, thanks to lower interest rates and a government freeze on pay rises. But some analysts worry the deficit remains too high and should be falling faster given the government's 'healthy tax takings. Until structural reforms are undertaken to cut spending, economic policy will remain reliant on short-term measures, like high interest rates, and the budget will remain fragile.

"This year's [deficit] fall is no reason to relax," says Mr Lauro Vieira de Faria, editor of the magazine Conjuntura Econômica.

Provisional figures for the first two months of this year, which show a 12 per cent increase in government spending from the same period a year ago, also suggest last year's bad result was not as exceptional as ministers hoped.

President Fernando Henrique Cardoso insists higher than expected deficits do not mean the government has lost control over spending. Speaking to foreign journalists last month, he blamed the sharp rise in the government's payroll on wage increases granted by his predecessor. "There's no loss of control on spending, these increases are unavoidable. I don't have the instruments to say 'don't spend money on salaries' or 'don't spend money on interest costs'," he said.

Mr Cardoso's critics agree that most government revenues are earmarked for predetermined areas, thereby limiting its control over the budget. But they also point out that Mr Cardoso was responsible for last year's 43 per cent increase in the minimum wage.

In spite of pledges not to raise salaries, the government's wage costs rise by 1-3 per cent each month because of automatic increases originally designed to protect against inflation. Payroll costs have nearly doubled since 1990 and last year almost reached R$40bn.

Projections for a lower deficit this year rest on two key assumptions. First, that after a sluggish start, the economy will accelerate to record 4 per cent growth for the year – some economists see this as optimistic. Growth will be an important determinant for tax revenues, which appear to be falling from last year's record levels, when they accounted for 30 per cent of GDP for the first time. According to some economists, a government deficit amid such record tax receipts is a cause for concern.

The second assumption is that the government keeps a lid on spending. If so, its costs will fall in real terms, eroded by annual inflation expected at 15 per cent. But its task will be made difficult by public sector wage claims and by municipal elections due in October, when incumbent mayors are likely to raise spending. High profile government promises, such as extending agricultural reforms to cover more families this year, will also prove expensive.

The Banco do Brasil crisis shows the difficulties of spending restraint. Other skeletons which may haunt the government this year include crises in the sugar and shoe industries, and banking problems at several other state-controlled banks. In an unrelated move last month, Mr Cardoso agreed to help refinance part of São Paulo city's debts in return for support on a vote in Congress. Although the refinancing has no immediate impact on the budget, it shows how vulnerable the government remains to political bargaining.

Even if the government succeeds in bringing down its deficit, there will be little scope for celebration. Structural problems within its budget remain unsolved and reforms proposed by Mr Cardoso are making painful progress through Congress. Analysts agree the government needs to shrink the civil service, iron out privileges which exacerbate Brazil's inequalities and make profligate states and municipalities more responsible for their spending.

Only once these problems have been resolved can the government relax monetary policy, cut real interest rates from the still very high level of 12 per cent and concentrate on the social problems which Mr Cardoso says are his priority.

"It's not enough to reduce the deficit," says Mr Paulo Levy at the government's Ipea economics institute.

"It's been near zero for most of the 1990s, but it's been there while hospitals have shut, roads fallen to pieces and teachers been left unpaid. It's been kept close to zero because the government's not doing what it should be doing," he says.

Angus Foster

Put brakes on lawsuits, say US carmakers

Liability claims are the biggest threat to our survival, say Detroit's 'Big Three'. **Haig Simonian** reports

The biggest threats to US carmakers are not foreign competition or new technology but product liability laws, according to Mr Richard Wagoner, head of North American operations at General Motors.

"We've got to start working together more in this country, on a basis of mutual trust, and stop suing everybody for everything," Mr Wagoner told a gathering of automotive engineers in Detroit recently.

"I sure hope we can make some real progress on tort [the right of action for damages] reform, or we'd better be ready to let others lead the industrial world."

The US "Big Three" carmakers are facing claims totalling billions of dollars for allegedly defective products. Many involve the alleged failure of brakes or steering which caused or contributed to accidents.

A growing number, however, are more hypothetical. Take the case of Ms Rebecca Anne Tebbetts, who died when her 1988 Escort ran into a tree. According to her relatives, Ms Tebbetts' life might have been saved had her car been fitted with an airbag.

Ford claims the case has no justification as the car was built three years before airbags became mandatory and at a time when carmakers only had to fit some form of passive restraint system (such as airbags) to 25 per cent of their 1988 model year cars.

The company has tried unsuccessfully to persuade the US Supreme Court to look into the issue on the grounds that there is growing confusion on whether such cases are constitutional. Ford says that without action from the Supreme Court, there is the risk of a judicial jumble resulting from conflicting state rulings.

Something of a legal potpourri is already emerging. While the New Hampshire courts have allowed the airbag case to proceed, a federal court in Denver in January struck out a similar action because it was unconstitutional.

Carmakers have been looking to Congress to resolve matters, with hopes for legislation to limit product liability claims. In spite of a steady build-up in congressional pressure for legal changes, President Bill Clinton has indicated strong opposition to any attempts to limit damage awards in liability cases.

Such lawsuits are not only time consuming for carmakers, they can also be expensive. GM is appealing against a $57m (£37.5m) award to the relatives of two crash victims who died after their vehicle missed a curve and plunged down a ravine. GM argues that both died from injuries from the crash rather than the subsequent fire which engulfed their vehicle. However, a jury in Texas awarded the damages "on the theory that GM might have put an additional valve in the fuel line to prevent gasoline from escaping", says Mr Wagoner.

Such "if only" arguments are "a fairly common plaintiffs' technique", says a Ford official.

The company is fighting a lawsuit brought by the driver of a Ranger pickup who is citing a subsequent design change to the vehicle as "proof" that Ford was negligent.

The number of "if only" cases has risen "dramatically" in recent years, although the majority of lawsuits still involve alleged liability of actual components, notes one leading corporate lawyer. He says the change has come partly because of the invention of the airbag, which has raised expectations of driver and passenger safety.

"It's very visible," he says. Carmakers blame the plethora of cases – and the huge damages awarded – on the US legal system. "Is spending hundreds of millions of dollars – and I mean that literally – for lawyers and other costs associated with the US product liability system adding any real value for our customers, and, for that matter, society as a whole?" asks Mr Wagoner.

Richard Wagoner: 'We've got to start working together... on a basis of mutual trust... and stop suing everybody for everything'

Plaintiffs' litigiousness has been spurred by the "no win, no fee" practice of law firms. In the GM case, the lawyers could make as much as $17m if the verdict is upheld, says Mr Wagoner.

Ford makes a telling comparison between the US and Europe. The company, which sells roughly the same number of vehicles on both sides of the Atlantic, has more than 1,000 product liability suits pending in the US and 12 in Europe. GM, which sells many more vehicles in the US than in Europe, has a ratio of US to European court actions in recent years of about 1,000 to one.

Such comparisons have reinforced calls among the Big Three carmakers and other leading manufacturing industries for product liability reform.

Last month a joint congressional conference committee agreed on a bill limiting damages in liability cases. The planned legislation, part of the Republican party's "Contract with America", would sharply reduce the amounts that can be awarded in punitive damages, subject to a judge's discretion, and limit the time in which a case can be brought after an event allegedly arising from a faulty product.

The bill was passed with comfortable majorities by both houses of Congress last month in spite of bitter opposition from the plaintiff's bar of the American Trial Lawyers' Association.

However, President Clinton has said he will veto the bill in its present form, although he has hinted at the possibility of further negotiation. He has already rejected congressional attempts to reform liability laws in the securities industry.

Mr Wagoner and his colleagues in Detroit still face an uphill battle.

AMERICAN NEWS DIGEST

Purchasing index edges up in US

The US purchasing managers' index edged up last month, but continued to indicate depressed conditions in the manufacturing industry. The index rose to 46.9 per cent against 45.2 per cent in February, but remained below 50 per cent – the threshold for expansion in manufacturing – for the eighth month running.

Mr Ralph Kaufmann, a spokesman for purchasing managers, said indices for production and new orders, although slightly stronger than in February, still pointed to contraction in manufacturing. If the overall index maintained last month's level for the rest of the year, the economy was likely to grow by only 0.9 per cent in real terms this year, he said. This is considerably more pessimistic than the consensus of private-sector economists who are projecting real growth of about 2 per cent.

The purchasing index used to be regarded as an accurate guide to the direction, if not magnitude, of economic changes. But confidence in it has been shaken recently because it has been sending more pessimistic signals than many other indicators.

For example, in February official data showed a significant rebound in activity from January: non-farm employment rose 705,000 – the biggest gain in a decade – and industrial production increased 1.2 per cent. However, the purchasing index barely moved.

In recent congressional testimony, Mr Alan Greenspan, the Federal Reserve chairman, cited many indicators of improving economic conditions including increases in car and retail sales, housing starts and business capital spending.

He appeared to imply, contrary to the impression given by the purchasing index, that the recovery was sufficiently strong and that further cuts in short-term interest rates would not be required for the time being. *Michael Prowse, Washington*

Montana standoff continues

The standoff at a snowy Montana ranch between federal agents and a band of armed militants entered a second week yesterday, providing the first high-profile test of the FBI's new low-key strategy to handle anti-government groups.

More than 100 FBI agents and local law enforcement officers were keeping watch on the 960-acre ranch in eastern Montana where up to 25 anti-government militants calling themselves Freemen have taken refuge.

The standoff has disturbing echoes of encounters between federal agencies and extremist groups such as the Branch Davidians at Waco, Texas, in 1993, when more than 70 men, women and children were killed when the cult's headquarters burned to the ground after a siege by federal agents.

Stung by criticism of the handling of Waco and similar incidents in the past, the FBI has not sealed off the area and is trying to end the Montana standoff through negotiation. In Washington, officials said President Bill Clinton was monitoring developments in Montana.

They added there was "absolutely no suggestion" of plans to storm the ranch.

Democratic Senator Max Baucus of Montana, who visited the area on Sunday, said that in his opinion the FBI had "done a very good job in trying to keep this thing at a low emotional level". *Reuter, Jordan, Montana*

Canada to recycle plutonium

The Canadian government is backing a plan to use plutonium from surplus nuclear warheads from abroad to fuel nuclear power plants, including one in Ontario, according to newspaper reports yesterday.

The Globe and Mail, quoting federal sources, said Canada would be ready to buy some of the plutonium from Russia and the US and use it for fuel at the Ontario Hydro reactor on Lake Huron. The sources told the newspaper that Mr Jean Chrétien, the prime minister, would give the plan his political support when he meets later this month with other world leaders at a special nuclear-safety summit in Moscow. One official said this was an ideal way for Canada, and other countries which have nuclear reactors but no nuclear weaponry, to help speed up the post-Cold War nuclear disarmament process. Canada is aggressively trying to export its Candu nuclear reactors, especially to Latin America and Asia. *AFP, Toronto*

Zedillo talks snubbed

Mexico's conservative opposition National Action party yesterday reaffirmed its decision to stay away from key political reform talks with the government and other parties, accusing the government of President Ernesto Zedillo of engaging in "double-talk".

"The existence of double talk from the PRI government remains a political problem in Mexico: pro-democracy in words, authoritarian in deeds," the PAN said in a statement, referring to the long-ruling Institutional Revolutionary Party (PRI).

The PAN, Mexico's biggest opposition party, said its return to reform talks was contingent on solving a post-electoral conflict in the municipality of Huejotzingo, in the central state of Puebla, where the PAN alleges fraud by the PRI. It also said, however, that the current format for reform talks – which are aimed at agreeing electoral reform before 1997 congressional elections – was inadequate. *Reuter, Mexico City*

No deal for Brazilian hostages

Inmates holding 23 hostages at a Brazilian maximum-security prison have rejected the government's offer of guns, money and getaway cars, pushing the standoff to its fourth day yesterday.

"We're at an impasse," Capt Adailton Florentino do Nascimento of the Goias state police said. Inmates at the Agro-Industrial Penitentiary in Aparecida de Goiania, a small town 580 miles north-west of Rio, seized 40 officials and reporters on Thursday during a tour of the overcrowded prison.

They later released 17 hostages in exchange for food and water. Negotiations between officials and rebellion ringleader Leonardo Pareja, a convicted kidnapper and bank robber, broke down on Sunday.

The government had agreed to provide guns, ammunition, $20,000, and five getaway cars to 20 to 30 inmates in exchange for 18 of the hostages. The inmates would leave the prison with five hostages, one in each car. *AP, Rio de Janeiro*

Pakistan to tighten energy policy

By Farhan Bokhari in Islamabad and Peter Montagnon in London

Pakistan will announce a new private sector power generation policy later this year, allowing the government to negotiate more competitive rates from investors and reduce its dependence on imported oil.

Tha news comes as agreements were reached yesterday on a $507m financing package for a 412MW oil power station to be built by a consortium involving Siemens Power Ventures at Sidhnai Barrage near Lahore. This is one of the largest energy packages for Pakistan since the $1.6bn Hub power deal of 1994.

Pakistani officials say they can afford to tighten the rules because of the success of present arrangements in attracting ventures, highlighted by the Siemens package.

ANZ Bank, which is arranging the finance for that project, is also working on a deal worth some $800m for a 780MW oil station to be built by Enron of the US.

Altogether, projects with a total capacity of up to 3,000MW are in the pipeline, representing almost 30 per cent of the country's generation capacity.

Current policy promises returns of some 18-22 per cent to investors but has been criticised as too generous.

Officials said the government would try to negotiate lower rates for power generation in future, but existing commitments would remain intact.

Preference would also be given to new investors who made exploration commitments in Pakistan's gas, oil and coal sectors.

Pakistan's $1.5bn oil import bill is expected to grow by over 12 per cent annually over the next four years.

Mr Shahid Hasan Khan, the prime minister's adviser on economic affairs, said: "Previously, the idea was to get on with attracting investors, but now we want to look at a range of issues."

Besides Siemens, other partners in the Sidhnai deal are Rousch Finance, a consortium of US, Middle East and German investors, and ESB International, the Irish engineering consultancy. Together they will put up $137m of equity.

The remainder comprises loans, including $140m provided by the World Bank and Japanese Export-Import Bank, a $33m German export credit, and a $137m syndicated nine-year loan carrying interest at a margin of around 3 percentage points over eurodollar deposit rates. As a further indication of banks' willingness to fund Pakistani projects, some $40m of the credit bears no guarantees at all.

However, bankers say Pakistan's policy of providing guarantees covering fuel supply, purchase of power by its state-owned utility and convertibility of debt service payments has helped it develop private sector power projects.

Unlike India it also allows project sponsors to enhance their returns by keeping the benefit of cuts in capital costs.

Japan braces itself for end to oil import curbs

By Emiko Terazono in Tokyo

A ship carrying 5m litres of South Korean petrol, the first load of imported oil products, arrived yesterday at the port of Chiba, east of Tokyo, signalling the opening of Japan's market.

Government deregulation measures which came into effect yesterday allow any Japanese company to import oil products such as petrol, kerosene and diesel oil. However, they must have adequate storage facilities and imports must meet the country's quality standards.

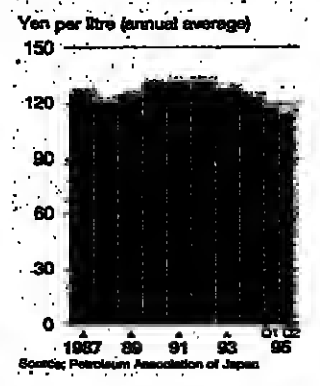
The industry is bracing itself for cheaper petroleum imports. Japanese motorists pay on average three times as much as drivers in the US and petrol is cheaper in Paris, London and Singapore than in Tokyo.

Oil distributors have been preparing since last year to attract customers ahead of the lifting of restrictions which have limited imports of oil products to oil refiners and distributors.

A price war has pushed down petrol prices by an average Y7 (6 cents) per litre over the past 12 months, as distributors were forced to lower retail prices to levels closer to international standards. This has cost the industry nearly Y400bn ($3.7bn) in lost profits.

Japan: price of petrol

Yen per litre (annual average)



Source: Petroleum Association of Japan

Petrol prices in Japan have been kept artificially high to compensate for industries' artificially low fuel costs. These date back to the 1970s when the government ordered oil companies to hold down industry fuel prices to ease the blow of the oil crisis.

The implications of the opening up for domestic oil companies are severe. While refiners will compensate for the loss in profit margins in petrol sales by raising prices for industry, they remain under pressure to cut costs.

Japanese companies have moved quickly to take advantage of the opening up. Itochu, a leading trading group, has tied up with Yukong, the biggest oil company in South Korea. The National Federation of Agricultural Co-operative Associations, a national network of farming groups which currently retails petrol bought from domestic oil refiners, plans to import 120m-130m litres of petrol a year from South Korea. Daiei and Jusco, the supermarket chains, are also to team up with trading companies to retail petrol through service stations in their store parking lots.

Deregulation is also expected to bring structural changes to the once over-protected oil industry. Last month five leading oil refiners – Showa Shell, Cosmo Oil, Japan Energy, General Sekiyu and Mobil Sekiyu – announced they would integrate their oil storage complexes in western Japan by next year, while Nippon Oil and Idemitsu, two other leading oil companies, agreed to merge their distribution systems.

Analysts expect an increasing number of service stations to close as competition intensifies.

Philippines in push to secure GM plant

By Edward Luce in Manila and Ted Bardacke in Bangkok

The government in Manila yesterday beefed up an already generous incentive package in an attempt to persuade General Motors to choose the Philippines for a US$1bn plant.

The US car company says it will decide over the next few weeks whether to site the plant in Thailand or the Philippines. GM wants to increase its export presence in the region and, six months ago, narrowed the field of potential hosts down to the two countries.

Thailand had been considered the front-runner because of its superior record and infrastructure.

But Philippine officials say the US company, which yesterday embarked on its sixth fact-finding tour of sites close to Manila, was taking the decision "down to the wire".

The GM investment, which would create 30,000 direct jobs and initially involve the production of more than 100,000 cars a year mostly for export, would be the single largest foreign investment in the Philippines.

Thailand, which is already host to a US$500m Ford plant and several large Japanese assembly lines, has been facing fierce competition from the Philippines. Manila yesterday offered to shoulder the entire bill for a US$20m manpower and research and development training institute connected to the plant.

The Philippines has also offered free land use for up to five years, unspecified infrastructure spending on ports adjacent to the site, and exemption from duty on capital imports. GM officials are also reported to be considering the fact that Philippine workers speak English.

The Thai government, which has offered GM a standard incentive package open to other manufacturers, has relaxed its domestic content rules but said it was unwilling to provide special export credits to offset the costs of tariffs on imported auto parts.

Officials in Bangkok believe the country's record provides sufficient inducement for GM.

"We are not going to get into a bidding war on incentives," said Mr Staporn Kavitanon, head of Thailand's board of investments.

"We can't give different packages to different companies. We believe we have a natural incentive from the market point of view."

GM, based in Detroit and the largest car producer in the world, is expected to make its choice by June.

Brittan urges US change of heart on shipping talks

By Guy de Jonquières in Geneva

Sir Leon Brittan, Europe's trade commissioner, said yesterday that the US needed to adopt a much more constructive negotiating approach if World Trade Organisation talks on liberalising maritime transport were to reach an agreement by their end-June deadline.

"The talks are not going very well," he said. "For them to go very well, it would need a major change of heart on the part of the US." At the very least, the US should commit itself to guaranteeing existing access to its international shipping market.

Sir Leon said the US "had nothing to lose and everything to gain" by offering to safeguard current levels of international competition.

He indicated a softening of the European Union's sceptical attitude to US proposals that the WTO should agree at its ministerial meeting in December to study how to deal with corporate bribery and corruption in the award of public contracts. Sir Leon plans to discuss it with Mr Mickey Kantor, the US trade representative, next week and at a meeting of Quad trade ministers – from the US, EU, Japan and Canada – later in the month.

Sir Leon also renewed his demands that the WTO agree to discuss proposals for a multilateral agreement which would contain legally binding rules for treatment of foreign direct investment. He said economies worldwide should recognise such rules were needed if they were to compete successfully for foreign direct investments. He said the rules should embody five principles:

■ A general commitment to give foreigners the legal right to invest and operate competitively in host economies.
■ Exceptions to this commitment, for reasons such as national security, must be limited and transparent.
■ Host governments should not be able to give favoured investors preferential treatment.
■ Restrictions must be liberalised progressively, and no new ones created.
■ Foreign investors should be treated on the same basis as domestic ones after they had entered a market.

WORLD TRADE NEWS DIGEST

Asian satellite contract agreed

Matra Marconi Space (MMS), the joint Franco-British space company, has won a $240m contract to supply a telecommunications satellite to Singapore and Taiwan, which will each have a ground control station.

The ST-1 satellite will be based on MMS's Eurostar platform, and once launched in 1998 will cover part of south-east Asia and India. The order is the sixth telecoms satellite contract won by MMS in as many months.

Mr Noel Forgeard, head of Matra Defence-Space, part of the Lagardère group that shares control of MMS with GEC of the UK, stressed that ST-1 was an "entirely civil" project, but that MMS's satellite prowess made it well placed for observation satellites with a military as well as a civil use.

MMS is competing with Aérospatiale of France to develop the Proteus small observation satellite for the French space agency, a technology for which MMS claimed yesterday it had some 10 potential foreign customers. *David Buchan, Paris*

Danone in China drinks venture

Danone, the French food group, yesterday announced a joint milk drinks venture with Hangzhou Wahaha Group of China. The Chinese company is already the country's biggest producer.

Danone and Peregrine International Holdings, a Hong Kong-based institution, are to take 51 per cent of the joint venture, with 49 per cent held by Hangzhou Wahaha, which is based in Zhejiang province. The Chinese company sold 800m bottled milk drinks last year and had turnover of US$106m. Danone has already entered the biscuit, yoghurt, sauces and beer markets in China. *David Buchan*

Nokia to shut German plants

Nokia, the Finnish electronics group, is to close its two television factories in Germany following the failure to find a buyer. The decision affects Nokia's factories in Bochum and Ziemetshausen which employ some 1,200 people and last year made 1m television sets.

Mr Tapio Hintekka, president of Nokia General Communications Products, said over-capacity in the industry in general and high German production costs in particular had prompted the company's decision to close the factories. Nokia made provisions in its 1995 accounts for the withdrawal from the television sector. *Frederick Studemann, Berlin*

■ Philippine Airlines yesterday confirmed its order for 24 Airbus Industrie aircraft. They are four A340-300s, eight A330-300s and 12 A320s. The confirmation means the European consortium has now had more than 2,000 orders since it was set up in 1970. *Michael Skapinker, Aerospace Correspondent*

NEWS: ASIA-PACIFIC

Indian opposition takes hard line on foreign investments

By Mark Nicholson in New Delhi

A senior leader of India's Bharatiya Janata party, the main opposition grouping, yesterday outlined a hardline campaign agenda for this month's general elections, advocating restrictions on foreign investment in India.

Mr L K Govindacharia, the BJP's general secretary and one of its leading ideologues, also suggested a BJP government would both declare India a nuclear power and consider conducting nuclear tests.

He told foreign reporters that the BJP would "review" the liberalising policies of the present Congress party government. He said while it unequivocally supported deregulation of the domestic economy, such as the removal of industrial licensing, and supported foreign investment in "high-tech" and that of "mutual benefit" in infrastructure, it opposed foreign investment into "consumer goods" industries.

Without specifying how curbs might be defined or applied, he characterised the party's economic policy as "internal liberalisation, yes; external liberalisation, with caution". Asked if the party might rescind permission for such companies as Coca Cola or Pepsi, the US drinks groups, to operate in India, he replied: "If my statements tend to that conclusion, yes."

The BJP, which defines itself in conservative religio-cultural and nationalistic terms as the voice of "Hindu-ness", has yet to publish its official manifesto and the party hierarchy is known to be divided over how vigorously to push its *swadeshi* (self-reliance) policies of "economic nationalism".

Mr Govindacharia's comments suggest a harder-line tone will prevail, one which will discomfit foreign investors, particularly given the experience of Enron, the US energy group, whose Dabhol power project was cancelled, then renegotiated, by the BJP coalition government of Maharashtra partly on *swadeshi* grounds.

The BJP's internal dilemma over "economic nationalism" is, however, highlighted by its state government in Gujarat, which has been far more muted in echoing a *swadeshi* line, and highly successful in attracting foreign investors.

The BJP won 120 seats in the 545-seat Lok Sabha assembly in the 1991 polls and, following a string of state election successes in the past two years, claims to be "within reach" of an outright majority in the April-May elections. Many independent analysts doubt this, but most agree the BJP could make substantial gains in the poll, while also predicting serious losses for the ruling Congress party.

Mr Govindacharia said the party hoped to double its 1991 haul of 51 seats from the vital Hindi "cow-belt" states of Uttar Pradesh and Madhya Pradesh, which together send 126 MPs to the assembly, while expecting gains in Bihar and Karnataka states.

Mr Govindacharia also outlined a robust approach to national security, saying the BJP regretted that India had not "expedited" its nuclear option "faster". India tested a nuclear device in 1974 and makes an open secret of its potential to develop a deliverable nuclear weapon, but has fallen short of overt declaration as a nuclear power.

But Mr Govindacharia said a BJP government would sign neither the nuclear non-proliferation treaty nor a comprehensive test ban treaty "in its present form" and would "go in the direction" of declaring India's nuclear hand. Asked if a BJP government would conduct nuclear tests, he replied: "We feel it to be in the interests of the country."

A more muscular nuclear posture, he said, was a national security necessary in view of "the friendliness of big powers to Pakistan and the fact there are no curbs on the powers of China".

On domestic social policies, Mr Govindacharia said the Hindu nationalist party would aim to institute a common "civil code", which would remove certain exemptions of family law permitted to the country's 11 per cent Moslem minority. He claimed that Congress had followed a policy of "appeasement" to Moslems, which he said discriminated against the majority Hindu population.

Tokyo stock market closes at four-year high

By Emiko Terazono in Tokyo

The Tokyo stock market closed at a four-year high yesterday at the end of the first day of the new Japanese business year on rising hopes of an improving economy and corporate earnings growth.

Investors shrugged off a weekend announcement that Taiheiyo Bank, a regional bank based in Tokyo, was to be liquidated because of an irreparably holed balance sheet. The Nikkei benchmark index closed up 153.54 points or 0.72 per cent at 21,560.39, the highest since February 1992.

In the currency market, the collapse of Taiheiyo, the second liquidation of a listed bank since the second world war, prompted selling of the yen, and the dollar hit a new year's high of Y107.70 in Tokyo trading

But on the stock market, analysts noted recovering confidence. "People seem to have a brighter outlook and investors are buying into the change in sentiment," said Mr Haruyoshi Mabuchi at Nikko Research Centre, the research arm of Nikko Securities.

Stocks regarded to be beneficiaries of an economic upturn, including steels, shipbuilders and electricals, gained ground. Overseas investors, who have been leading buyers of Japanese shares over the past year, were also active.

Hopes that fresh money would be allocated to the stock market by fund managers for the new business also boosted investor confidence. The government's deregulation of the pension fund market which comes into effect this month has prompted pension funds to shift their money from life insurers to investment management companies, which specialise in equity linked investments.

Nenpuku, the country's largest holder of public sector funds, has indicated that it will shift up to Y5,000bn (£30.7bn) formerly allocated to life insurers, and some analysts expect Y3,000bn of this to be invested in stocks.

Meanwhile currency traders saw the liquidation of Taiheiyo by Sakura, Fuji, Tokai and Sanwa, its four main shareholder banks, as a sign of continued weakness of the country's financial sector. Expectations that the Bank of Japan will maintain low interest rates to support other small ailing banks such as regional banks and credit associations which may face the predicament as Taiheiyo, triggered selling of the yen.

The four shareholder banks have agreed to establish a new bank to take over the operations of Taiheiyo in order to protect depositors, but the division of the financial burden has yet to be worked out.

At Taiheiyo, bank officials said that withdrawals yesterday totalled Y7.6bn, 20 per cent higher than usual. A Bank of Japan official said that depositors had been reassured by the bailout announcement.

Markets, Section II

Hong Kong civil servant on political frontline

Anson Chan's stance on institutions poses challenge to China, writes John Ridding

Civil servants are seldom popular public figures. Mrs Anson Chan, Hong Kong's chief secretary, is something of an exception.

Over the past week, the head of Hong Kong's civil service has been pushed into the political frontline by a controversy over the fate of the territory's legislature and the independence of its top officials after the handover to China next year.

The dispute, sparked by China's move to replace the existing elected Legislative Council (Legco) and a demand that its replacement be supported by senior government servants, has strained Sino-British relations and raised a threat to a smooth transition.

Mrs Chan's stance in support of the civil service and the existing Legco confirmed her credentials as a defender of Hong Kong's institutions but could compromise her chances of keeping a senior post after the handover.

The implications extend beyond her personal position. The preservation of the personnel and morale of the 180,000-strong civil service is a crucial issue in the transition.

"Autonomy and continuity are the key concerns," says Mr Michael DeGolyer, director of the Hong Kong transition project at Baptist University. "Anson Chan, as the head of the civil service, is increasingly seen as a symbol of that continuity."

Polls support this view. According to a survey by Baptist University in February, 45 per cent of respondents said they would choose Mrs Chan if they could elect the chief executive, the post which after the handover next year will be the territory's equivalent of governor. No one else reached double figures.

A similar sentiment exists in many Hong Kong boardrooms. Businessmen who have sharply criticised the democratic reforms of Mr Chris Patten, Hong Kong's governor, see Mrs Chan as an important member of a post-1997 administration.

"It is essential the rule of law is maintained and the civil service stands up to external interference," one senior executive says. "[Mrs Chan] would be a central figure in this."

Mrs Chan herself has emphasised the stakes involved. "The civil service plays a crucial role in securing a smooth transition," she told a conference last week. "It can only do so if it remains politically neutral.

"We can see no justification for a provisional legislature. No such arrangement is mentioned in either the Joint Declaration or the Basic Law." Mrs Chan added, referring to the transition treaties. She warned of the "confusion and uncertainty" resulting from a provisional legislature.

Anson Chan: warned of 'confusion and uncertainty'

Such straight talking is one of the reasons Mrs Chan has been backed for high office after the handover. Others are her close knowledge of the government machine, gained from her 34 years as a public servant, and her standing on both sides of the border.

Born in Shanghai, Mrs Chan is the first ethnic Chinese to hold the post of chief secretary, the number two to the governor. She was invited to Beijing last year to meet Mr Qian Qichen, China's foreign minister, and Mr Lu Ping, director of the Hong Kong and Macau Affairs Office.

Her family is well regarded in China; her grandfather, Fang Zhenwu, is recognised as a patriot by the Communist party for his resistance to Japan's 1936 invasion of the mainland while a general in the Nationalist army.

"She has some strong cards," one diplomat says. But he, like many others, does not expect Mrs Chan to be given the chief executive's post.

"The Chinese are going to want to signal a break from Britain. They will not achieve that by picking the current number two." The ideal scenario, cited by several businessmen, is for Mrs Chan to be chief secretary to the chief executive. But this, too, has been jeopardised by her stance on Legco. "Loyalty is the bottom line for Beijing," Mr DeGolyer says. "China believes the existing Legco is a breach of agreements on Hong Kong's transition," says one Asian diplomat, "so there is not much room for manoeuvre".

Much will depend on whether the dispute over Legco and the civil service can be defused. Some encouragement is drawn from recent statements from Xinhua, the news agency which is China's *de facto* embassy in Hong Kong, which has dismissed the idea that senior officials must declare support for the provisional legislature.

Pro-Beijing politicians in Hong Kong indicate Mrs Chan remains a contender for high office after the handover, arguing her stance reflects pressure from Britain.

Mrs Chan herself is seeking to resolve the dispute over civil servants' loyalty, inviting Mr Lu Ping to discuss this and other issues when he visits in April.

Despite a softening in Beijing's line on the civil service, China still requires that officials recognise the provisional legislature. The question of how and whether government members can work with the chief executive-designate, to be named in the autumn, also remains to be resolved.

The risk is that the renewed tensions in Sino-British relations will harden the positions of the two sides, which would put Mrs Chan and her civil service colleagues into an even more uncomfortable position.

ASIA-PACIFIC NEWS DIGEST

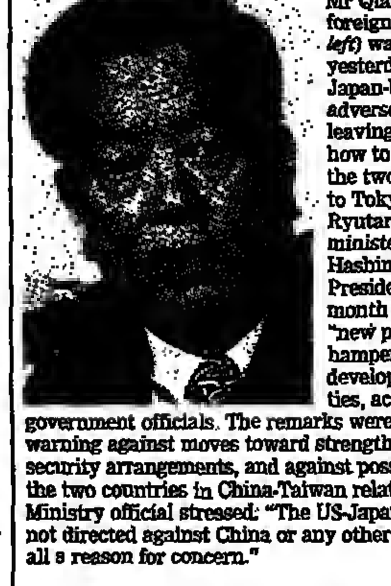
ADB to lend Pakistan $1.5bn

The Asian Development Bank yesterday pledged to lend up to $1.5bn (£980m) to Pakistan during the next three years, to help in the construction of an ambitious dam project and to improve the country's social sector. The loan is expected to strengthen Pakistan's case at an aid consortium meeting in Paris this month for further international loans of more than $2.7bn for the next fiscal year which starts in July.

Mr Noritada Morita of the ADB said in Islamabad that up to $589m would be provided by December for the construction of the Ghazi Barotha dam project in the north of the country and for a social action programme which aims to improve primary health care, population measures, education, water supply and sanitation in rural areas. Mr Morita said the bank's future lending to Pakistan would increasingly focus on the country's social sectors.

Farhan Bokhari, Islamabad

China warns over US-Japan ties



Mr Qian Qichen, Chinese foreign minister, *(pictured left)* warned implicitly yesterday that a planned Japan-US summit could adversely affect China, leaving Tokyo at a loss over how to balance its ties with the two countries. On a visit to Tokyo Mr Qian told Mr Ryutaro Hashimoto, prime minister, that he hoped Mr Hashimoto's meeting with President Bill Clinton this month would not bring any "new problems" to China or hamper the healthy development of Sino-Japanese ties, according to Japanese government officials. The remarks were understood as a veiled warning against moves toward strengthening Japan-US security arrangements, and against possible interference by the two countries in China-Taiwan relations. A senior Foreign Ministry official stressed: "The US-Japan Security Treaty is not directed against China or any other country. This is not at all a reason for concern."

Kyodo, Tokyo

Inflation rate slows in Thailand

Thailand's inflation rate in March slowed for the first time in a year, the Commerce Ministry reported yesterday. Prices rose 7.3 per cent against the same month a year ago, down from the 7.4 per cent registered for the past three consecutive months. A year ago, the last time the monthly inflation rate dipped, inflation stood at 4.8 per cent.

As has been the pattern for several months, rising food costs drove inflation, with prices increasing year-on-year by 11.4 per cent in March, against 11 per cent in February. Non-food prices rose 4.6 per cent, down from 4.9 per cent in February.

The ministry also ordered manufacturers and distributors of five products to cut prices by up to 25 per cent. Mobile phone distributors, which charge high rates for handsets but low call rates, must submit plans to the ministry to cut the price of handsets by 15-25 per cent over the next two months. Other products affected by the move are instant coffee, drinking water, tissue paper and tobacco.

Ted Bardacke, Bangkok

S Koreans show distrust of the big and concern for the small

Ruling party and policies favouring conglomerates look likely victims of the election, writes John Burton

In the midst of South Korea's booming economy last year nearly 200 owners of small businesses killed themselves.

"The government's economic policies are heaven for big business, but hell for small companies," says Mr Lee Chong-chon, an opposition candidate from Seoul in Korea's general election on April 11.

Mr Lee, like much of the opposition, believes that small businesses, which employ the majority of Korean workers, are ill-prepared for increased economic competition.

It is that sentiment that has led political analysts to predict that Korea's efforts to deregulate its state dominated economy may suffer a setback if the three opposition parties, as expected, gain a parliamentary majority next week.

The election comes at a sensitive time as Korea this year prepares to join the Organisation for Economic Co-operation and Development, the "club" of more than two dozen industrial countries, which is urging Seoul to accelerate its economic reforms as the price for admission.

Opposition politicians have expressed worries that relaxing state controls will allow the country's giant industrial groups to grow bigger at the expense of small business, while opening Korea's protectionist economy to foreign competition too soon could cause industrial disruption and loss of jobs.

Many regard the election as a mid-term referendum on President Kim Young-sam. It could turn him into a lame-duck leader for the rest of his term, which ends in February 1998.

Most political analysts predict that the centre-right New Korea party, which has a slim majority in the 299-member National Assembly, will win only a third of the seats next week.

The centre-left National Congress for New Politics, the main opposition party, is expected to gain another third, with the rest split between the conservative United Liberal Democrats, the moderate Democratic party and independents.

Mr Kim's mandate is likely to be weakened even if he is able to forge a coalition to maintain the ruling party's control.

The most likely alliance would be with the Democratic party and independents. But there is also talk of a "grand coalition" with either the NCNP or the ULD if Mr Kim agrees to adopt a cabinet system that would give ministerial portfolios to opposition politicians.

Analysts say the most disastrous outcome for the government would be to fail to gain 100 seats, which could lead to the break-up of the faction-ridden ruling party.

The prospect of parliamentary chaos worries officials. "We need political stability because we are entering the most difficult phase of the reform process," says Mr Rha Woong-bae, the deputy prime minister for economic affairs.

The government's programme of economic deregulation, financial liberalisation and lowering trade barriers is already causing resistance among farmers, trade unions and small business, he adds.

What surprises observers is that public disquiet is being expressed at a time when the economy is expected to grow by a robust 7 per cent this year, unemployment is just 2 per cent and per capita income recently passed the $10,000 milestone.

A main source of discontent is the economic dominance of the country's large industrial groups, or *chaebol*, which have grown larger under the current administration in spite of promises by Mr Kim to curb their economic power.

At the same time non-chaebol businesses, which employ almost 90 per cent of the working population, suffered a record near 14,000 bankruptcies last year.

Small and medium-sized companies have difficulty securing credit. The chaebol often delay payments for subcontracting work. Rising wages and growing imports have harmed labour-intensive industries, such as textiles. The service sector, which employs almost 60 per cent of workers, is considered particularly vulnerable to foreign competition.

Public anger was increased last year with the disclosure that the chaebol had given more than $1bn in secret payments to former Presidents Roh Tae-woo and Chun Doo-hwan.

The slush fund scandal provided Mr Kim with an opportunity to crack down on the chaebol. But he hesitated because of worries that punishing the chaebol would lead to an economic slowdown. He has sought instead to enlist the chaebol in a programme to help small business, but this has apparently not impressed the public.

Now the arrest and trial of ex-presidents Roh and Chun on corruption charges, although popular, is being seen largely as an attempt to win votes for the ruling party.

Mr Kim has also not benefited much from other reforms, such as his anti-corruption campaign, introducing limits on campaign spending, and safely returning the army to the barracks.

Instead, his popularity has slipped. Even some ruling party candidates avoid using President Kim's picture in their campaign literature or mentioning him in speeches. "President Kim is a liability" because the public believes he has become "arrogant and autocratic", says a government candidate in Seoul.

This feeling reflects general disillusionment about the democratic political process only nine years after the end of the military dictatorship. "The recent political scandals have only convinced the public that all politicians are corrupt. Voters are becoming apathetic," says Mr Kim Sang-woo, a NCNP candidate in Seoul.

The charges flung between the ruling and opposition parties are only adding to that belief. The opposition accuses Mr Kim of accepting illegal contributions for his 1992 presidential campaign. In response, the ruling party has claimed that the NCNP has sold nominations in the general election in return for contributions.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−163.0	0.7623	100.0
1986	231.0	−140.6	−153.4	0.9836	81.4
1987	220.2	−131.8	−144.1	1.1541	71.9
1988	272.5	−100.2	−107.4	1.1833	67.0
1989	330.2	−99.3	−84.3	1.1017	70.0
1990	309.0	−79.3	−72.7	1.2745	66.7
1991	340.5	−53.5	−8.0	1.2391	65.7
1992	345.9	−65.2	−47.5	1.2957	64.4
1993	397.3	−98.7	−85.4	1.1705	66.3
1994	432.3	−127.0	−127.6	1.1857	65.1
1995	451.6	−123.5	−118.3	1.2928	61.2
1st qtr.1995	111.3	−32.5	−30.5	1.2619	62.7
2nd qtr.1995	110.0	−33.0	−32.7	1.3175	59.0
3rd qtr.1995	113.1	−31.1	−30.9	1.3020	61.0
4th qtr.1995	117.3	−26.9	−24.1	1.2897	62.3
February 1995	37.2	−10.7	n.a.	1.2455	63.8
March	37.4	−9.8	n.a.	1.3029	60.8
April	36.0	−11.1	n.a.	1.3279	58.7
May	37.5	−10.7	n.a.	1.3055	59.1
June	36.5	−11.1	n.a.	1.3192	58.0
July	35.3	−11.4	n.a.	1.3335	59.2
August	38.4	−9.6	n.a.	1.2954	61.3
September	39.5	−10.0	n.a.	1.2772	62.5
October	38.3	−9.6	n.a.	1.2977	61.9
November	38.9	−8.5	n.a.	1.2854	62.2
December	40.1	−8.8	n.a.	1.2758	62.7
January 1996	39.2	−11.4	n.a.	1.2634	63.6

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.8	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	247.6	83.3	62.4	166.44	143.7
1992	254.8	102.1	80.4	164.05	150.7
1993	300.0	120.8	111.1	130.31	181.0
1994	323.5	122.5	108.8	120.99	194.9
1995	331.1	104.2	86.4	121.43	204.8
1st qtr.1995	82.0	27.7	22.8	121.16	202.1
2nd qtr.1995	87.5	29.1	23.4	111.31	225.3
3rd qtr.1995	81.2	25.3	22.7	122.36	203.7
4th qtr.1995	80.3	22.1	17.4	130.87	187.8
February 1995	28.7	9.6	8.2	122.27	198.1
March	27.5	9.8	7.1	117.89	211.3
April	29.1	8.8	6.2	111.24	226.8
May	28.0	9.9	8.0	111.17	224.4
June	29.4	10.4	9.2	111.51	225.1
July	26.7	7.8	7.2	118.38	217.2
August	28.1	9.5	8.7	122.52	202.6
September	28.5	8.1	6.8	128.19	191.6
October	26.5	6.0	4.2	130.78	188.8
November	26.9	6.0	6.5	131.98	186.8
December	28.0	8.1	5.7	129.85	187.8
January 1996				133.43	182.1

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.3	22.5	2.2260	100.0
1986	249.5	53.3	41.3	2.1279	108.6
1987	254.4	56.7	40.0	2.0710	114.9
1988	272.8	51.4	41.8	2.0739	114.1
1989	310.1	65.2	52.0	2.0681	113.3
1990	323.8	51.5	38.5	2.0537	118.1
1991	327.5	11.0	−15.6	2.0480	117.1
1992	331.1	16.9	−16.7	2.0187	120.6
1993	323.3	31.8	−13.4	1.9337	125.3
1994	358.1	37.8	−17.1	1.9198	125.8
1995	392.8	50.2	−14.5	1.8509	132.1
1st qtr.1995	94.9	12.3	−2.0	1.8645	131.1
2nd qtr.1995	99.0	12.5	−1.4	1.8402	133.3
3rd qtr.1995	98.7	12.2	−7.1	1.8624	131.7
4th qtr.1995	100.1	13.2	−3.9	1.8365	132.3
February 1995	32.1	3.9	−1.5	1.8698	130.0
March	31.8	3.2	−0.1	1.8308	134.4
April	32.9	4.7	−0.9	1.8320	134.5
May	32.3	4.1	−0.1	1.8420	132.9
June	33.8	3.7	−0.5	1.8465	132.7
July	32.3	3.7	−3.0	1.8511	133.0
August	32.0	4.1	−2.8	1.8705	131.1
September	34.4	4.5	−1.8	1.8656	131.1
October	33.4	4.1	−2.2	1.8357	132.9
November	33.4	5.3	0.2	1.8363	132.4
December	33.3	3.7	−1.8	1.8374	131.8
January 1996				1.8460	131.0

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.7	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	−4.6	−3.7	6.9265	102.7
1988	141.9	−4.7	−3.4	7.0354	100.6
1989	162.9	−6.3	−3.6	7.0169	99.6
1990	170.1	−7.2	−7.2	6.9202	103.6
1991	175.4	−4.2	−4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.6	13.3	8.0	6.6281	109.1
1994	198.8	12.9	6.8	6.5659	110.1
1995	221.2	16.6	13.1	6.4460	113.4
1st qtr.1995	54.9	4.7	6.8	6.5115	112.2
2nd qtr.1995	55.6	4.6	3.8	6.4602	113.2
3rd qtr.1995	54.8	3.1	0.5	6.4383	114.0
4th qtr.1995	55.7	4.3	2.3	6.3580	114.3
February 1995	18.6	1.6	1.2	6.5040	111.7
March	18.5	1.7	0.7	6.4841	113.3
April	18.5	1.8	1.3	6.4371	114.6
May	18.8	1.3	0.8	6.5218	112.2
June	16.7	1.5	1.5	6.4816	113.1
July	17.6	0.7	−0.3	6.4424	114.3
August	18.6	1.3	0.5	6.4322	114.1
September	16.8	1.1	0.3	6.4344	113.7
October	16.2	1.0	0.4	6.4104	113.6
November	18.9	2.1	1.6	6.3308	114.8
December	18.6	1.2	0.3	6.3269	114.4
January 1996	19.0	1.3		6.3221	114.4

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.1
1988	108.3	−8.9	−8.0	1536.8	97.7
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−16.0	1523.2	100.1
1991	137.0	−10.5	−17.7	1531.3	98.7
1992	137.9	−8.0	−21.5	1591.5	95.6
1993	144.3	17.9	9.7	1836.7	80.6
1994	160.1	18.6	13.1	1908.6	77.0
1995	177.3	21.1	13.7	2106.4	69.4
1st qtr.1995	41.3	2.8	2.0	2069.8	70.8
2nd qtr.1995	44.5	5.0	5.6	2188.2	66.4
3rd qtr.1995	43.5	7.1	4.1	2096.4	70.0
4th qtr.1995	47.8	6.0	1.5	2061.0	70.4
February 1995	13.5	0.7	1.1	2017.1	72.5
March	15.2	1.8	1.8	2199.8	66.3
April	12.9	1.6	−1.4	2273.5	64.1
May	15.3	1.6	2.1	2159.8	67.4
June	16.4	1.8	2.4	2161.4	67.5
July	16.4	3.5	2.9	2146.5	68.3
August	11.3	2.0	3.0	2080.2	70.8
September	15.8	1.6	−1.9	2062.6	71.0
October	16.4	2.1	−1.5	2084.7	69.8
November	18.3	2.0	1.0	2064.8	70.3
December	16.2	1.9	2.0	2033.6	71.1
January 1996			−1.1	2001.4	72.4

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.1
1987	112.3	−16.4	−7.1	0.7047	89.3
1988	120.9	−32.3	−25.0	0.6643	94.7
1989	137.0	−36.7	−33.5	0.6728	91.8
1990	142.3	−26.3	−26.6	0.7150	89.8
1991	147.7	−14.7	−11.7	0.7002	90.5
1992	145.9	−17.8	−13.4	0.7359	87.1
1993	156.1	−17.2	−14.2	0.7780	79.9
1994	174.1	−14.0	−2.7	0.7736	80.1
1995	186.4	−14.1	−6.1	0.8190	78.2
1st qtr.1995	46.2	−2.4	−1.0	0.7974	78.3
2nd qtr.1995	45.3	−4.0	−2.3	0.8253	75.7
3rd qtr.1995	46.9	−4.3	−2.6	0.8268	75.7
4th qtr.1995	48.0	−3.3	−2.2	0.8267	75.0
February 1995	15.5	−0.9	n.a.	0.7923	78.5
March	15.4	−0.8	n.a.	0.8141	76.9
April	14.8	−1.7	n.a.	0.8261	75.8
May	15.3	−1.2	n.a.	0.8227	75.7
June	15.3	−1.2	n.a.	0.8271	75.5
July	15.2	−1.4	n.a.	0.8359	75.1
August	15.4	−1.6	n.a.	0.8261	75.8
September	16.3	−1.3	n.a.	0.8183	76.2
October	15.5	−2.0	n.a.	0.8224	75.7
November	16.3	−0.7	n.a.	0.8291	74.8
December	18.2	−0.7	n.a.	0.8285	74.5
January 1996	16.8	−1.7	n.a.	0.8254	74.8

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

هكذا من الأصل

Defence policy Steep rise in costs delays nuclear vessel's refit ■ Lockheed Martin, Loral and Boeing vie for aircraft contract

Management consortium to buy big navy dockyard

By Bernard Gray, Defence Correspondent

Devonport, the Royal Navy dockyard in south-west England, is to be sold to DML, the consortium which manages the yard on behalf of the Ministry of Defence, the government will announce today.

At the same time the ministry will confirm that Devonport's facilities will be upgraded to allow the yard to refit Britain's Trident nuclear deterrent submarines. However, the cost of the modernisation will be about £325m ($494m), almost £100m more than the price quoted by DML in a government competition when it narrowly beat rival yard Rosyth in Scotland for the Trident work three years ago.

In the 1993 competition Rosyth, which is managed by Babcock International, said that it could upgrade its yard for Trident at a cost of £250m. Devonport quoted £235m.

The cost increases, which are likely to provoke criticism from the opposition Labour party and the House of Commons public accounts committee, have caused a three-year delay in placing a contract with DML for the Trident upgrade. As a result of the delays the ministry can only just complete the modernisation in time to refit Vanguard, the first Trident boat, which must come in for nuclear refuelling in 2001.

Negotiations over the sale of the yard have been equally protracted. The government announced 18 months ago that it wanted to sell both Devonport and Rosyth, but has had great difficulty in agreeing with either yard who should pay for future redundancies and environmental clean up work.

DML and Babcock International's long-term contracts to manage the yards formally expired on March 31, but have been extended by three months to allow time for the sale to be completed.

The ministry was considering cancelling the sale and undertaking the nuclear modernisation work itself because of the difficulties. However, Mr Michael Portillo, the defence secretary, was reluctant to back down from privatisation despite the cost increases.

As part of the sale agreement Brown and Root, the US contractor which is a part owner of DML, will take a majority shareholding in the consortium and will have management control of the upgrade work. The two other partners, UK engineer Weir Group and cables company BICC, will have their shareholdings reduced.

Previously the three partners had equal one-third shareholdings, but the ministry was concerned that DML did not have the management skills to handle the large Trident works programme. Brown and Root has extensive civil contracting experience.

The navy is concerned that any further delay, or problems in completing the Trident upgrade, will cause a severe problem for the Trident fleet. "The timetable on this is now extremaly tight," said a senior Royal Navy officer yesterday. "Even if everything goes to plan, DML could still be painting the gate when Vanguard steams into the yard."

Ministry's shopping list underlines dilemma over weapons

By Our Defence Correspondent

Over the next year the British defence ministry will spend more than £8bn ($12.2bn) on five new weapons systems. On the shopping list are 25 maritime patrol aircraft, five new hunter-killer submarines, and large batches of cruise missiles, tank-busting munitions and air combat weapons to arm the multinational European Fighter Aircraft.

Taken with the £5bn that the ministry spent last year on helicopters and transport aircraft, the decisions taken on the new weapons will be crucial in shaping Britain's defence industry at a time of great change.

The US defence industry is consolidating rapidly in the wake of falling defence spending, but Europe has lagged behind. Defence equipment spending, even taking European budgets together, is barely adequate to maintain important technologies for future weapons.

As a result, Britain must soon decide whether it wishes to sponsor a pan-European defence industry, retreat into a national bunker, or become a sub-contractor to the US.

These orders are one of the ministry's few opportunities to shape that future, and the government's decision will give a clear indication of the path it intends to follow.

In most of the programmes, it is too early to spot the winners, although some front-runners are emerging. Several themes which unite the competition are also becoming clear.

Perhaps the strongest is the contrast between buying US high technology weapons "off the shelf" and developing a European alternative from scratch. The US, which has a defence budget 10 times that of the UK and almost twice that of the European Union, has a wide range of technologies which have been proven in battles such as the Gulf War and which many at the British ministry are keen to acquire.

US companies are equally keen to sell, partly because extending their production runs to fulfil UK as well as US requirements helps spread development costs, but also because dominating market segments helps them to eliminate international competition.

European products, by contrast, normally have to be developed using defence ministry funding, which means a bigger bill, and have shorter production runs, which forces up the unit costs of each weapon.

European specifications are normally a compromise of individual countries' requirements and so can easily become unwieldy. In addition, the cumbersome arrangements to share work among the partners mean that collaborative programmes can add to costs and lead to management muddle.

However, the great advantage of European products is that the partners own the technology and understand how it works. That allows them to export it freely. Many US technologies are supplied as sealed "black boxes" which the buyer can use but will not understand and cannot use to build export products.

What is worse, with each successive generation of technology that is bought off the shelf, Europe falls further behind the US. In some areas, such as spy satellites or ballistic missiles, it is reaching the point where Europe is losing the capacity to build the technologies at all.

Some fear that if Europe cedes large areas of defence technology to the US in that way then the UK will eventually be hostage to a dominant US supplier which is able to charge what it likes.

The superficial attractions now of cheap US weapons are balanced by the worry about longer-term dependence and higher prices later.

Europe has thus reached the crossroads where it will have to decide whether to become a client of the US and negotiate good sub-contracting positions on US arms programmes, or to rationalise its own arms business and make its products affordable and technologically competitive with the US.

Britain has a central role to play in that decision. It is one of the leading European arms makers and has done most in the last decade to rationalise its industry and make it competitive.

So much so that some even argue that Britain should go it alone, although the prohibitive cost of weapons almost certainly makes that impractical.

The defence ministry is inching towards taking a lead in Europe while still fighting shy of the idea that it is developing an industrial policy for defence manufacturing. This is one of the levers at the MoD's disposal: to shape the industry at the same time as giving the armed forces effective weapons.

Unfortunately, as the details of the specific programmes will show, it is not easy for the ministry to chose between European or American to give a clear lead.

Many of the companies are teamed with US partners on one programme and EU companies on another.

If British defence companies really want the ministry to give a lead in rationalisation, as they say they do, they will have to give the government a much clearer goal to aim at.

Replacement for RAF's ageing submarine predator will cost $3bn

For the past 25 years, the role of submarine predator has been played on Britain's sea routes by the Nimrod (right), a famous adaptation of the even more famous Comet airliner.

Now the Nimrod is getting old, and only half of the Royal Air Force fleet of 26 aircraft is available at any time. In its last great aircraft procurement competition of the century, the British Ministry of Defence is to spend more than £2bn ($3.04bn) on a replacement. It pitches the hungry defence companies GEC and British Aerospace of the UK and Lockheed Martin, Loral and Boeing of the US against one another for much badly needed work. The final bids have just gone in, and the winner will be known before the summer.

Like a maritime aircraft's attack, the competition has been almost unobserved. Given the bullabaloo which surrounded the last aircraft dogfight over the replacement of the RAF's Hercules transporters, and pitched battle over an attack helicopter for the British Army, that may be surprising, but it is no accident. Bruised by the public squabbling over many recent procurements, the ministry has been comparatively reticent about its replacement maritime patrol aircraft competition. Manufacturers have been told firmly to keep their heads down.

The competition is important for all that. The airframe of a maritime patrol aircraft is a fairly low technology workhorse with highly complex electronics.

One competitor can be eliminated almost immediately. Loral is offering to refurbish old US patrol aircraft, but the bid, while cheap, is not thought to be a winner. That leaves two main bids. BAe has teamed up with Boeing and is offering a complete overhaul of the existing Nimrod aircraft. The jet will acquire new engines, and the interior will be filled with the latest high technology computing equipment developed by Boeing. BAe argues that this will produce an aircraft better than most in service. The other main contender is almost a mirror image of the BAe bid. The US company Lockheed Martin is the prime contractor offering new versions of its P3 Orion propeller driven patrol aircraft. However, the aircraft will be packed with electronics made by GEC of the UK. Lockheed insists that there is plenty of potential for exports with other countries updating their Orions with the new GEC electronics.

Air traffic control to remain in state sector

By Michael Skapinker, Aerospace Correspondent

The UK's air traffic control system was yesterday established as a separate, publicly owned company, but its chief executive said this was a poor alternative to his favoured option of privatisation.

Mr Derek McLauchlan, chief executive of National Air Traffic Services (Nats), also attacked the government's decision to fund future air traffic control investments under the Private Finance Initiative, in which private funds are sought for public projects. Mr McLauchlan said the PFI was unsuited to the complex business of air traffic control.

As a separate company, Nats will remain wholly owned by the Civil Aviation Authority. Sir Christopher Chataway, CAA chairman, said the new structure would improve Nats' management skills and financial disciplines.

Sir Christopher said it was now widely accepted that the air traffic control system would eventually be a separate organisation from the CAA. This would either happen through privatisation, if the Conservatives were re-elected, or through "corporatisation" under a Labour government.

Although the government was in favour of privatising Nats, its small majority meant it had been unable to do so during the life of this parliament, Sir Christopher said. He said privatisation was unlikely under Labour and that the party had not expressed a firm view on Nats.

But a Labour government might opt for "corporatisation", said Sir Christopher. That would leave Nats in the public sector, but with the right to borrow money privately.

Sir Christopher said he recognised that, under existing government policy, the CAA had little choice but to use the PFI to fund two projects: a new Scottish air traffic control centre and the Oceanic Air Traffic Control Centre data processing system.

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NEWS: UK

Aftermath of the BCCI collapse Central bank denies that ruling backs claims against it

Liquidators claim progress in court

By Ralph Atkins in London

Liquidators of Bank of Credit and Commercial International yesterday claimed a partial victory in efforts to win compensation from the Bank of England for depositors who lost money when BCCI collapsed five years ago.

However, the interpretation of the High Court ruling was challenged vigorously by the Bank of England, the UK central bank. It said the judgment did not support claims that, as a regulator, it could be held liable for negligence in carrying out public duties.

The latest twist in the long-running BCCI affair followed writs against the Bank of England issued in 1993 by liquidators at Touche Ross, now Deloitte & Touche, the accountancy firm. The ruling was only on preliminary issues of law. Further hearings are expected after Easter.

In a 141-page judgment, the High Court said that its "provisional" answer to the question of whether the Bank of England was capable of being liable "for the tort of misfeasance in public office" – or negligence – was "no". The court also said, provisionally, that it did not believe the depositors' losses were capable of having being caused by the alleged "misfeasance" on the part of the Bank of England.

But the liquidators seized on the court's comment that it retained an open mind on the later point and that further submissions were possible. Crucially, the ruling added that if it were subsequently decided that depositors' losses could have been caused by the Bank of England's negligence, it would reverse its finding on the principle of whether it could be held liable.

The Bank of England said the court's "central conclusions are that, currently, the Bank is not capable of being held liable to the plaintiffs for misfeasance in public office and that the plaintiffs' alleged losses were not caused in law by the Bank".

Australia, NZ and Argentina deplore beef ban

By Jimmy Burns in London

The British government faced international pressure yesterday to lift a confusing ban on imported beef which has brought the UK meat wholesale trade to a virtual standstill.

Australia, New Zealand, and Argentina, whose meat exports to the UK are currently most affected by the ban, are among the countries that have protested.

An Australian official said: "We have made our feelings known to the UK government and we are pursuing the matter in Brussels. What we are questioning, under the terms of the Common Agricultural Policy, is the right of a single member of the EC [European Union] to unilaterally stop imports from third countries into the EC."

The Argentine government yesterday instructed its embassies in Europe to pursue the matter, after learning that recent Argentine meat imports into the UK are going unsold because of the ban. The UK is one of the main markets for Argentine beef.

Meanwhile New Zealand's forestry minister Mr John Falloon, who is visiting London, is thought to have raised the issue yesterday with UK officials after being briefed by his London high commission.

Mr Carlos Martinez, general manager with Trans Oceanic Meat, which trades about 40 per cent of Argentine meat imported into the UK as well as beef from other countries outside the European Union, said last night: "The situation remains as bad as it was at the end of last week. I am having to tell my clients that I cannot sell what I have until the UK government clarifies the situation." A spokesman for the UK Ministry of Agriculture said last night that there was "no change" to the government's emergency rules.

The rules are designed to keep meat from cattle aged over 30 months out of the food chain. However, the rules have been worded to cover both UK and imported beef, and beef from cattle which may be aged between 24 and 30 months.

There was still confusion yesterday among officials and traders as to what extent the ban was enforceable in practice, and where enforcement was expected to take place. The rules refer not to specific age of the cattle, but the number and type of teeth which roughly identify the age of a cow. One trader said last night: "The meat we bring into this country from Argentina doesn't have teeth."

These butchers in Palermo, Sicily, handed out beef for nothing yesterday as part of a national effort in Italy to restore demand depressed in the wake of the scare about British beef

McDonald's rejects 'panic' charges from MPs

By Alison Maitland in London

McDonald's, the leading fast food chain, was yesterday criticised by MPs for leading the field in banning British beef from its restaurants in Great Britain because of the BSE crisis.

The chain, which has consistently declared it has "complete confidence" in British beef, was accused by members of the House of Commons all-party employment committee of acting over-hastily and contributing to consumer panic and job losses. Mr Andrew Taylor, executive vice-president of McDonald's, rejected the charges and insisted the decision on March 23 to stop using British beef was driven by a collapse in customer confidence.

"Our decision was very commercial," he said. "It was driven by the market, by customers. As far as the British public is concerned, the feedback was that, if it was British beef in our products, they didn't want to know . . . the public saw this [decision] as a leadership statement by McDonald's." He added that "the swing out of beef was in the order of 50 per cent". Mr Geoffrey Clifton-Brown, a Conservative MP, accused McDonald's of putting "thousands of people out of work" by its move, which was followed by similar decisions by other fast food chains.

Mr Taylor replied: "I don't think the decision has been the catalyst for thousands of people losing their jobs at all. Public confidence had been impaired already." He said that if people shunned McDonald's "we do not have a business and our 38,000 employees do not have a job".

Other MPs suggested that the company should have adopted the practice of supermarkets over the weekend and cut the price of beef by up to half. Sales picked up following the discounting.

Mr Taylor said discounting "would have appeared very hasty". Asked whether the company should spend some of the £91m operating profit last year from its restaurant business on promoting rather than dropping British beef, he said it would resume buying as soon as customer confidence returned.

UK NEWS DIGEST

Police gain more powers against IRA

Mr Michael Howard, the home secretary, announced measures to strengthen police powers to fight terrorism in a signal that the government does not expect the Irish Republican Army to resume its ceasefire in the foreseeable future. Police in Britain will be given stop-and-search powers to look for terrorist items as part of a five-point package to enhance the powers of security forces following the breakdown of the ceasefire.

Mr Howard said in the House of Commons: "We face a real threat of a continuing IRA campaign of murder. No-one should be deceived by the fact that for a few weeks we have had a lull . . . We face a serious threat from terrorism."

The government has won support for the amendments to the Prevention of Terrorism Act from the opposition Labour party, until this year opposed to the Act, and intends to push the measures through parliament before Easter. Mr Seamus Mallon, deputy leader of Northern Ireland's Social Democratic and Labour party, described the plans to rush through new anti-terrorism powers as "underhand in the extreme". The measures will enable the police to search pedestrians in a designated area, search listed non-residential premises, search freight at ports, cordon off areas and impose temporary parking bans.

James Harding, Westminster

Warning from Saudi Arabia on dissident

Mr Mohammad al Massaari, the Saudi Arabian dissident, pledged last night to resist efforts to deport him, as the Saudi ambassador in London confirmed that the case was hurting Saudi-British trade. The British government, which has tried unsuccessfully to send Mr al Massaari to the Caribbean island of Dominica, said it was hoping that some other country would accept him.

The Saudi physics professor, an Islamist and anti-corruption campaigner, said he was convinced that British law entitled him to remain in London. "We came here believing that Britain is an established democracy," he said. "If British people decide to change their laws, it is up to them, but current laws are in our favour." Mr Ghazi Algosaibi, the Saudi ambassador in London, said in a BBC documentary broadcast last night that the dissident's presence in London would hurt relations.

FT Reporters in London

Aristocratic developer faces royal obstacle

The Grosvenor Estate, which manages the property interests of the Duke of Westminster, is preparing to unveil plans to redevelop a sensitive site overlooking the grounds of Buckingham Palace. The estate intends to replace Hobart House in Grosvenor Place – until recently the headquarters of British Coal – with a limestone and glass building. The Royal Fine Art Commission, which reviews important architectural plans but has no formal powers, expressed reservations about early versions of the Grosvenor Estate's plans. "We are trying to address their concerns," said Mr Dick de Broekert, the estate's development director.

The design – by Hellmuth, Obata and Kassabaum, the US architects – aims to echo the style of the Georgian and Regency terraces which dominate nearby Belgravia. The Grosvenor Estate owns most of Belgravia, the area to the west of Buckingham Palace. It has a long-standing policy of not erecting buildings which might encourage an invasion of the royal family's privacy. The windows on the upper floors of the existing building are set high in the walls to discourage the occupants from spying on the royal garden.

Simon London, Property Correspondent

Output of manufacturing industry is weak

Manufacturing industry continued to stagnate last month, although companies making consumer goods enjoyed big rises in orders and output. The buoyant performance in consumer goods industries was in contrast to the falling orders and weak output growth seen by makers of plant and machinery, according to yesterday'a monthly survey by the Chartered Institute of Purchasing and Supply. As a result, manufacturing output as a whole was virtually unchanged last month, the weakest performance since Britain left the European exchange rate mechanism in autumn 1992. Order books were subdued by weak domestic and export demand, while one company in five reported a rise in stocks of unsold goods. The slowdown was reflected in the jobs market, manufacturers reporting they had shed jobs for the third successive month.

Robert Chote, Economics Editor

Names register approval of recovery plan

LLOYD'S
LLOYD'S OF LONDON

Lloyd's of London said responses from Names to its recovery plans were overwhelmingly positive, judging by calls to its telephone helpline. Four out of five Names using the helpline said either that they would support the plan or were likely to. The service has received about 3,800 calls so far. Lloyd's has about 34,000 Names. The results came a month after Lloyd's sent Names – individuals whose assets have traditionally supported the insurance market – a first indication of the likely cost of the plan to them.

Names will have to pay to have liabilities outstanding on insurance policies sold before 1993 transferred into Equitas, a new reinsurance company. To offset the cost of setting up Equitas, and to end legal action by Names for damages, a £2.8bn out-of-court settlement offer has been put forward.

Ralph Atkins, Insurance Correspondent

TECHNOLOGY

FT writers look at the electronic revolution that is set to transform how drivers use their cars

Showcase for safe driving

Imagine a car loaded with every electronic goodie money can buy. Multi-angle radar (to avoid collisions). Satellite positioning and digital communications (to navigate and keep in touch). The biggest and brightest head-up display (to drive without taking your eyes off the road). Even seat sensors (to prevent an airbag inflating unnecessarily in the rare event such a secure vehicle could end up in a crash).

All these, and more, are found in the SSC (standing for Safety, Security and Communications), a technology showcase vehicle from Delco Electronics, the electrical components division of Hughes Electronics, itself a subsidiary of General Motors.

Bragging about ultra high-tech gadgetry influencing the mundane world of car components has become a fetish for component companies used to being dismissed as mere metal-bashers. But Delco, which became part of Hughes when GM bought the latter in 1985, has a better case for making such claims than most of its peers, even if much of its turnover still comprises commodity products such as car radios.

Two years ago, Delco set up an Automotive Electronics Development team as a "halfway house" between Hughes – predominantly a high-tech aerospace business – and the cars side. Based near Hughes's headquarters on the west coast of the US, AED comprises 35 specialist scientists and engineers working to put aerospace technology into automotives.

The SSC is one of their first tasks, says Ross Olney, manager of the project. Not only does the vehicle provide a genuine opportunity to transfer technology, but it is also an effective marketing tool to distinguish Delco from other car components companies by highlighting its links with the glitzier world of aerospace.

Delco does not claim the SSC breaks new ground. Many of the technologies on board, such as satellite navigation and head-up displays, can be found as expensive options on cars currently available.

Some of the trickiest recognition problems involve apparently mundane events, such as taking a bend on a multi-lane road with a crash barrier between the two carriageways

Its uniqueness lies in the unprecedented integration of such technologies in one vehicle and the extent, in certain cases, to which the scientific frontiers have been pushed back. The vehicle carries about 50 times as much computing power as the typical new car, says Olney.

The nexus for integration and research lies in the combined radar, collision warning, head-up display and night-vision systems on the vehicle.

In turn these are linked to its speed sensor, anti-lock brakes, windscreen wiper (which detects rain) and tyre-pressure sensors.

The focal point of the information flow is the SSC's head-up display – bigger, brighter and more colourful than any predecessor.

Its size has been dictated by the incorporation of a night-vision system using infra-red cameras to "see" in the dark. The display is also unusual in being reconfigurable to suit individual tastes.

Objects picked up by the night vision camera can, for example, be displayed white on black (as in a traditional film negative) or vice versa.

The display is also much brighter than its predecessors to handle full colour, rather than the duller images to date.

It projects images at the ideal focal length for driving and replicates important instruments, such as the speedometer.

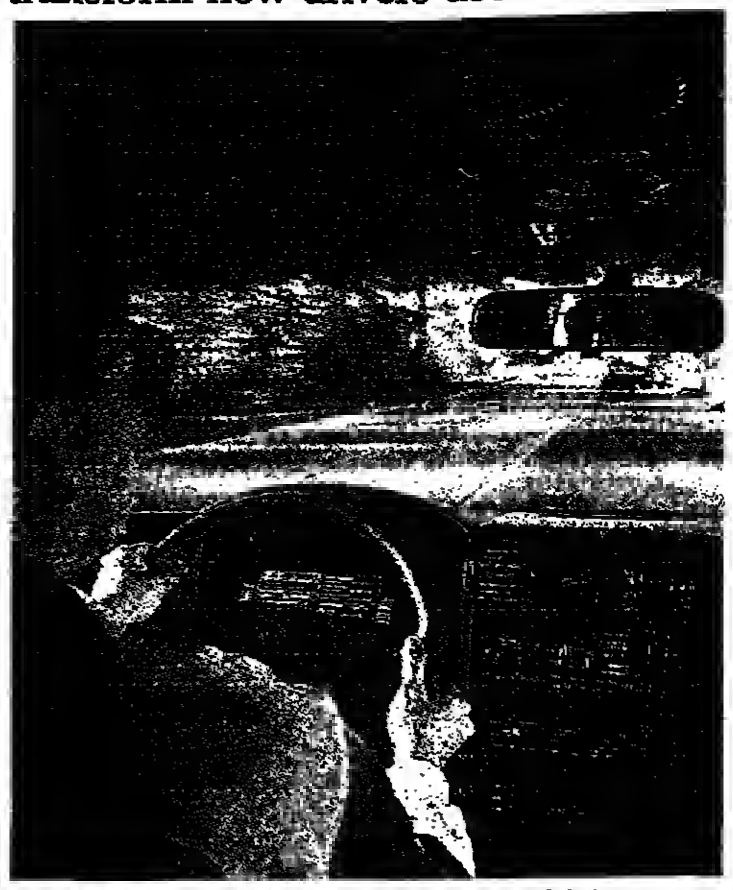
It also includes pictorial material from the SSC's on-board navigation system and icons used in the complex collision-warning system.

These icons appear in the SSC's side and rear-view mirrors to ensure the driver looks in the direction of the impending hazard.

For instance, an excessively sharp lane change, which might impede a vehicle in the next lane, triggers a bright yellow collision-danger icon in the appropriate side-mirror.

The system even primes the master brake cylinder, ensuring the brakes will respond quickly if required.

The collision-warning technology includes three radars covering the front, back and sides of the vehicle. Whereas the back and side radars are relatively simple proximity-warning devices, the front-facing version is a much more complex Doppler system, explains Olney.



Inner vision: Delco's SSC displays owe much to the aerospace industry

"The radar is the most high-tech part of the vehicle," he says. "It is probably the furthest out [in terms of production] but potentially the most important for safety."

The radar and collision-warning systems highlight the spin-offs from the aerospace industry, says Javier Lopez, an AED software specialist. Hughes has worked closely with the US military on head-up displays and object recognition. Surprisingly, however, such recognition is much harder to achieve in a car than a jet fighter, according to Olney. "In a fighter, the system can concentrate on a limited number of potential risks, like a missile heading its way," he says. "Most of the other information coming in is just sky."

A car, by contrast, has to handle much more data and know what to reject as irrelevant. "About 90 per cent of the data must be recognised and then discarded," Olney says.

Some of the trickiest recognition problems, which are still being polished through improved algorithms for the software, involve apparently mundane events, such as taking a bend on a multi-lane road with a crash barrier between the two carriageways.

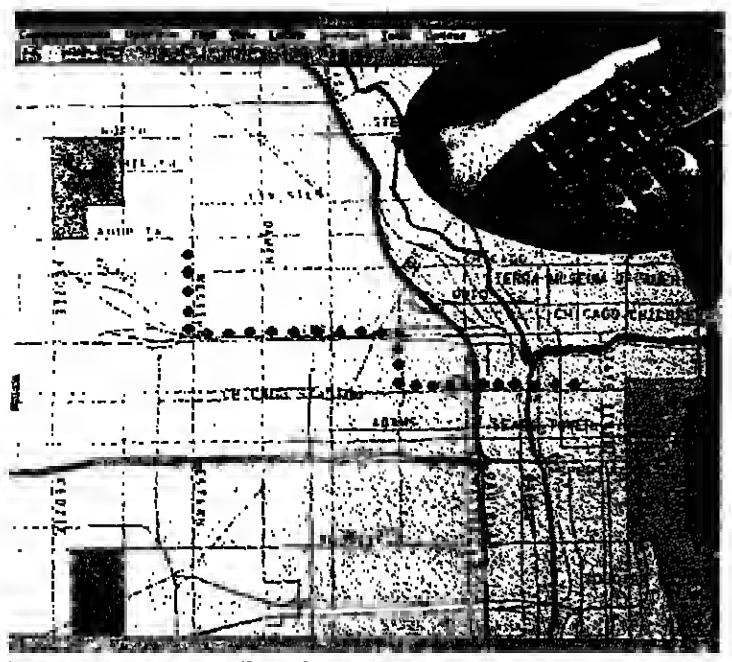
"The system must work out the guard rail, which is theoretically cutting across the car's path as it corners, is not a hazard," Olney says. "And it must also understand the same applies to a vehicle in the adjoining lane, provided it steers around the corner at the right angle."

Upgrading the collision-warning system will keep AED busy for some time but the team will soon start to reap some public reward for its labours once a second, identical SSC vehicle starts "live driving" tests later this year.

Putting the SSC through its paces dynamically should show it off far more convincingly than on a static display stand, says Olney.

Haig Simonian

In touch on the road



Intelligent car on the map: 'Technology purely in pursuit of better customer service'

One of the most ambitious attempts to create an integrated vehicle communications system, linking a car electronically with a variety of emergency and other services, will be launched by General Motors as an option on Cadillac models later this year in the US.

The system, called OnStar, marks a further step towards the "intelligent" car.

The GM system is notable not so much for any dramatic new single technology as for the variety of communications and services available and the creation of GM's own staffed "base station" to service communications from the car. "This is not the usual thing of technology being marketed for technology's sake. This is technology purely in pursuit of better customer service," stresses Cadillac.

When OnStar is introduced, the hardware is expected to cost just under $1,000 (£658) as an option in the US, with a pay-per-use system for the services which, according to Cadillac, should add only "a token amount" to monthly cellphone call charges from the vehicle.

"Until now the information revolution has touched the automobile in only the most mechanical and operational ways," says Mr Richard Wagoner, president of GM's North American operations. "But OnStar can do things that literally were not possible in personal transportation until now."

The key in-car elements of the system will already be familiar to some executive and luxury car users: the advanced cellular telephone and global positioning satellite (GPS) transmitter/receiver, for instance. In fact, the GM system lacks some of the most advanced individual features of some rivals, such as TV-based route guidance and information systems aboard BMW's 750iL. GM insists that the decision to avoid a TV- or video-based system was the result of customer research rather than keeping costs down.

"We know they are liked in Europe, and Oldsmobile [another GM division] has been doing testing with a system called Guidestar, which is TV screen, satellite and CD-Rom maps-based," Cadillac says. "But all our findings are that people see them as intrusive and an annoyance."

It is the link of the car and driver with direct human help using instant access to databases that distinguishes the system – and marks an extension of the vehicle manufacturer's role into relatively unchartered territory.

The principal functions of the system are:

- **Roadside assistance** with location. If the car breaks down, the driver presses the phone's "customer service" button to access GM's customer assistance centre. An adviser pinpoints the vehicle location via GPS and dispatches help without driver or passenger having to leave the vehicle.
- **Airbag deployment.** This automatically triggers a "priority one" emergency signal to the centre. If the adviser cannot immediately contact the occupants by phone, he or she alerts emergency services and gives them the exact location, again identified by GPS.
- **Automatic theft tracking.** If the car's ignition system is accessed improperly, a signal is sent automatically to the service centre, which telephones the owner. If the car has been stolen, its movements are tracked by satellite until police close in.
- **Remote door unlocking.** A driver who has locked the keys in the car can make a free call to the service centre, go through a verbal security check and have the vehicle unlocked remotely.
- **Routing and location assistance.** A driver who wants route help can be guided by an online adviser watching the car's movements on GPS-linked electronic maps.

Not least of the system's attractions will be the "convenience" services made possible by a human interlink. GM says a driver will be able, for example, to find out the location of the nearest ATM or cash machine, make hotel reservations or send flowers while on the move.

The OnStar system being made available this year "is only the beginning", according to Wagoner – other technology will be added later.

John Griffiths

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The cutting edge of innovation

William Packer on two abstract sculptors who deserve greater attention from the establishment

More than a refrain, it is my constant plaint that official support for the visual arts in this country, in terms of patronage and promotion, is partial and unfair. Sculpture, for example, as we are forever reminded, is the great success story of 20th-century British art, at which the world has queued to marvel since Moore and Hepworth hit the jackpot just after the second world war.

In a sense it is true, but only for the few lucky artists whose work chimes with what our curators and administrators deem significant in any given generation. The trouble is that the view along that cutting-edge is very narrow but not always sharp. There is always so much more being done out there.

Nigel Hall is now in his early 50s. To be fair he has been widely shown at home and abroad over the years, and as widely represented in public collections. He is among the most interesting of our sculptors: his work is of the utmost technical refinement in wood and bronze, and always teasingly thoughtful and intelligent in imagery and idea. He commands with an equal facility the most monumental public scale and the most intimate. Perfect, perhaps, for a prize nomination, a Biennale pavilion, a big show at the Tate? Other, younger blades flash past, but for him not yet, if ever.

His play is with an abstract geometry of sliced cones and elipses that teeter on a judicious balance, formally anchored, both visually and practically, by vertical or near-horizontal elements. They seem innocuously simple, but soon their tricks begin as the viewer's perception is nudged and shifted in moving round them. Move closer by a foot or two, or change your view by a few degrees, and what seemed to be open is closed, what seemed to be fixed is left hanging in the air.

The large drawings stand as statements independent of the sculpture but related to it both in its essential geometry and its perceptual play. The freehand circle is checked and defined by the absolute which, in its turn, it puts in question. Crisp, simple images of blades and wedges sit counter to each other, bending space and twisting conventional perspective as they brave the mind's eye to comprehend them. They too are beautifully made.

Maurice Owen is more obviously conceptual in his work, a fact openly acknowledged in the jargon title of his department at the Southampton Institute: "Artresearch, employing art strategies as a research method". And for once we should not let such stuff put us off.

Tha idea, put simply, is to approach studio practice as though it were the scientific and technological research of the laboratory and see what comes out. Quite interesting things, to go by what Owen himself has done. None of it has been seen before in London, though there was a show at the Southampton City Art Gallery in 1990 and Owen's large sculptural projection, *Great Metaphysician*, based on Giorgio de Chirico's painting of 1917, *Il Grande Metafisico*, was shown at the de Chirico retrospective at the Centre Pompidou in Paris in 1983.

Great Metaphysician, which occupied Owen for some four years in the mid 1970s, now all but fills the converted workshop at 21st Century in Chelsea. It is a remarkable object, reminiscent in part of Marcel Duchamp's *The Large Glass*. From the back board against which it stands, set up on its trestle-cum-stage, the figure explodes forward, its fragments projected literally into three dimensions from the painted image. They are held upon threads that converge in reverse perspective, piercing the containing frame of the glass at the front to come finally together, two or three feet, as it were, into the real world.

All the theorising, with its talk of research and analysis, is a kind of smoke-screen. Whatever else this thing is, it is not de Chirico's painting simply recast into three dimensions but an autonomous work that, while it declares its references, asks its own questions. What is the difference between pictorial and sculptural reality? Why are the shifts and jumps of scale and perspective, found in the original and echoed in the derivative, so disquieting? All that Owen can say is that he doesn't really know.

He is also showing groups of small bronzes, ambiguously *female* figures based on Picasso's surreal skeletal drawings of 1932. These he qualifies with intimate feminine items – a lipstick, a pill, a false nail. But the sum is less than the parts, which are engaging enough. *Il Grande Metafisico* is the thing.

Nigel Hall – recent sculpture and drawings: Annely Juda Fine Art, 23 Dering Street, London W1, until May 11. Maurice Owen – Metaphysical Projections: 21st Century, 54-55 Slaidburn Street, London SW10, throughout April, by appointment midday to midnight, 0171-376 4097.

Theatre/**Simon Reade**

For the love of a foxy lady

The novellas of minor Bloomsbury writer David Garnett have proved the inspiration for several large-scale novelties. His *Aspects of Love* is now a multi-national musical, and Garnett's earlier fiction has proved equally durable in condensed form. *Lady Into Fox*, a haunting love story written in 1922, was performed as a ballet at the Lyric, Hammersmith, in 1944. Its newest metamorphosis, at the Lyric's Studio Theatre, is conceived by Gloria Theatre Company as a chamber opera: libretto by Neil Bartlett, score by Nicholas Bloomfield.

Bloomfield sits at the grand *piano himself, sometimes as* the accompanist to the protagonists, Mr and Mrs Tebrick, sometimes joining them in duet or trio, sometimes a soloist, sometimes mute. The music matches the emotional drive of the story, playing off the psychological tension against humdrum Victorian anxieties – the painful clarity of, say, Britten juxtaposed with the echoes of Victorian parlour song: "Oh, meet me by the garden gate, by the rose tree yonder . . ."

It cannot be. There will be no more playing at cards, no more fussing over knick-knacks and haberdashery. The three-month-old marriage is shattered when, on a New Year's day walk in Oxfordshire in 1880, *Mrs Tebrick inexplicably* turns into a fox as the huntsmen's hounds bay.

At first Mr Tebrick attempts to hide his astonishment by imploring his wife to adhere to the niceties of domestic etiquette. For six months he coops her up, but he cannot contain her and she breaks loose in the summer.

Some months later, she returns to lure him to her lair, to see her five cubs. He spends the autumn pursuing her across fields and ditches, through copses. A year later to the day the New Year's hunt kills her and mauls him.

As an allegory for the stifling of wives by Victorian husbands, Bartlett's dramatisation can be too scoffing at times. It succeeds when it is less censorious, more mature: when confronting Mr Tebrick's jealousy, not rage, at the prospect of dogs raping her; or when her yelps and barks about the forgotten triviality of counting *the hours* burgeon into new-found lyricism.

As a vixen she is less capricious, wilful or cunning than womanly and motherly. Mr Tebrick cannot help loving her, even lusting after her when fuelled by the whisky decanter.

The piece is peculiar, fantastic, erotic. With her blood-red velvet dress and full head of russet hair Louise Gold as Mrs Tebrick is furtive, alluring. Dale Rapley as her husband is leonine, vulnerable. Both are assured singers with wide ranges and clean voices.

The fable is full of mystery; the music shimmers with unresolved tensions. Leah Hausman's production is emotionally engaging, amply rewarding our wide range of human – and animal – sensibilities.

At the Lyric Studio, Hammersmith, until April 20 and then on *tour* until May 25.

Alastair Muir

Louise Gold is alluring and Dale Rapley leonine in an erotic staging of Garnett's novella

Music futures: our critics report on bright hopes and young performers

Slavic flair strikes right note

The biennial *BBC Young Musicians '96* – as it was labelled this time, instead of *Young Musician of the Year* – concluded at the weekend. It used to be a kind of competition, but the new title is meant to play that aspect down, as well it might. What contest can there be between classical pianists and violinists, who are lavishly endowed with the cream of the solo and concerto repertoires, and trombonists, tuba players and the newly recognised percussionists, for whom orchestral teamwork will have to be their mainstay?

That is unless fashions change, of course – but I doubt the BBC wants to take on board the improvisatory brass and drum virtuosi of some possible future. Such artists would be quite incommensurable with "classical" players, whose studied subtleties belong to a different frame of reference.

In this latest mock-contest, sponsored by Lloyds Bank, the 17-year-old trombonist Katy Pryce played Gordon Jacob's 1956 concerto with lovely musicianship. Every phrase was meaningfully "sung", though without the illusion of continuous *legato* that the best adult trombonists can create *against the odds. Sam Walton*, aged 13, manned the solo percussion in Richard Rodney Bennett's 1990 concerto, which leaves small room for distinguishing expert accuracy from rarer talent.

Neither won. Nor did Benjamin Hudson, whose address in his Mozart – the sole bassoon concerto in the repertoire – was attractively contemporary and colloquial, without "period" archness. The face-off was obviously between pianist Julien Cheriyan and violinist Rafal Payne, playing popular standards: Grieg's appealing, undemanding concerto and Khachaturian's flashy Hollywood-Borodin affair.

As it turned out, there was no real contest. Cheriyan is a prematurely cultivated pianist who pulls his punches, with too much good taste to rise to Grieg's brittle salon-flair; indeed, his calculated, thoughtful manner regularly dampened the rhythm and the rhetoric. Payne, bizarrely identified on Radio 3 as "from Aberdeen" (he was born and raised in Lodz), brought a fine Slavic style to his pop Khachaturian, with an unabashed relish for sliding *portamenti* – absolutely right – that one would never expect to hear from a British player, and a keen individual temperament to boot.

Though Payne has been at the Menuhin School in Britain for some four years now, it has not spoiled him. He won, of course. I do not know what difference that should make to what we think of any of the contestants, except that the "winner" enjoys an early spate of valuable publicity.

On Saturday we heard another precocious star at the Barbican. When I interviewed Maxim Vengerov a few months ago, the 24-year-old Vadim Repin was the only other young violinist whom he mentioned with sincere respect. They were friendly contemporaries when they were both students of the revered Zakhar Bron in Novosibirsk, but Vengerov's judgment was impartial: Repin is a superbly assured player, already mature.

His Shostakovich *1st Concerto* (with the Royal Philharmonic under Sian Edwards) was an intensely gripping performance, full of passionate resource – to be reckoned with Vengerov's own, which made the Gramophone's latest "record of the year". We shall have to get used to having two prodigy-violinists from Western Siberia leading the virtuoso pack.

David Murray

Maintaining the tone of the aria

It is end of term at the nation's music colleges. All the major opera schools put on fully staged productions at this time, and this is the chance for both the students and the college itself to put their best feet forward in front of funding authorities, teachers, agents and opera-house talent scouts – not to mention mums and dads.

The atmosphere at opera school is a microcosm of the professional world outside. Anybody who thinks that prima donnas only throw tantrums at La Scala or Covent Garden has not been in the refectory on the day when two student tenors both thought they were getting the lead role. The reputation of the UK colleges also means they attract students from overseas, so there is an international flavour. Among the delights of this year's productions were an Icelandic tenor passing off as an old Venetian widow in drag, and a gravel-voiced Polish bass, who clearly wished he was singing Boris Godunov *rather than struggling to keep up with* runs of Handelian semiquavers.

It must all sound like a bit of harmless postgraduate fun. Why then do the student productions attract so much serious attention? Not because they are a showcase for young singers (though there will be those who pat themselves on the back for having spotted Amanda Roocroft at the Royal Northern College of Music or Bryn Terfel at the Guildhall School of Music), but because the colleges are able to search out rare operas that the major companies regard as too high a risk. Their adventurousness can be an important catalyst. Obscure pieces such as Weill's *Street Scene* and *Massenet's Cendrillon have been seen* and liked in college performances one year and then turned up at Opera North or Welsh National Opera the next.

All the same I doubt that Wolf-Ferrari's *Il campiello* will be one of those. That was the Guildhall's choice this term, and a light, cheerful but ultimately vacuous evening it made. With a bit more self-discipline the ageing Wolf-Ferrari might have turned Goldoni's affectionate play about life around a piazza in Venice into a slick one-acter. Instead, he let it acquire middle-age spread: too much flabby incidental business and not enough musical fibre.

The Guildhall students had little real singing to get their teeth into, though the opera does usefully offer a range of approachable roles. The school fielded three contrasting sopranos as the piazza's trio of desirable young ladies: Adelè Eikenes from Norway, Sandra Zeltzer from France and Louise Cannon from England, each appealing in her own way. The staging was attractively Venetian but the student orchestra played as if it did not take its duties in the pit seriously. *Il campiello* really is one for the history books. We are *never likely to see it live again.*

A slice of history also turned up at the RNCM in Manchester in the form of one of Donizetti's three operas on the Tudor dynasty. The RNCM has acquired a reputation for being ambitious (Verdi's *Don Carlos* a high point) and *Roberto Devereux* is no exception. This is a typical, drawn-down-from-the-shelf Donizetti historical opera (more novel than history, like an operatic Jean Plaidy), which rises above the genre in the final scene where Queen Elizabeth's peroration takes on a new and ambitious grandeur.

It is a taxing opera even for professionals, and the RNCM made a brave stab at it. The orchestra was well drilled; Stefan Janski's prodnction was stylish. Those who complained about a lack of subtlety have missed the point, for the challenge in an opera like this is to get reticent young singers to let go of their inhibitions and find some Italian passion. The RNCM's Mexican tenor, Rafael Rojas, sang Roberto Devereux with the right Latin style, and Rosalind Martin (one of two New Zealand sopranos in the title role) tackled Queen Elizabeth with some spirit. The attractive soprano of Vanessa Woodfine as Sara caught the attention.

The other two leading London music colleges – the Royal Academy and the Royal College – pooled their operatic resources a few years back. In collaboration with the 19th London Handel Festival they proposed a mixed offering – a professional, original-instrument orchestra (condncted without much life by Michael Rosewell) and student singers. There are umpteen Handel operas that remain near to unknown, and *Arminio* (1737) is fairly typical: the plot is as limp as a drooping washing-line, but Handel hangs wonderfully inventive arias from it all the way along.

The royal schools' production helpfully reduced the recitative to barely a sentence between each musical number, but there was still too much to tax the resources of its modest cast. The main pleasure was the pure, early-music soprano of Victoria McLaughlin, who brought Sigismondo's part brightly to life. Henry Moss showed a promising basic tenor as Varo; Mary Nelson's lyrical Tusnelda lacked stage presence.

Altogether, the class of '96 may be short on obvious stars, but for a trio of operatic rarities these three prodnctions would be hard to beat.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Orlando Quartet: with pianist Lilya Zilberstein perform works by Beethoven, Verdi and Brahms; 8.15pm; Apr 4

■ ATHENS

CONCERT
Athens Concert Hall
Tel: 30-1-7282333
● Athens State Orchestra: with conductor Barry Wordsworth and pianist Christian Blackshaw perform works by Vaughan Williams, Brahms and Berlioz; 8.30pm; Apr 3
● Marina Krilovic: accompanied by pianist Dimitris Yiakas. The soprano performs songs by R. Schumann, Fauré and Enescu; 8.30pm; Apr 3

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Joachim Dalitz: the organist performs works by Muffat, Mozart, Haydn, Heiller and Bruckner; 3.30pm; Apr 6
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Chicago Symphony Orchestra: with conductor Daniel Barenboim and pianist Martha Argerich perform works by Liszt and Bruckner; 8pm; Apr 5
● Orchester der Deutschen Oper Berlin: with conductor Jiri Kout, soprano Julia Varady, alto Hermine May, tenor Boiko Zvetanov and baritone Oskar Hillebrandt perform works by Mendelssohn and Janacek; 8pm; Apr 4

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● A Midsummernight's Dream: a choreography by George Balanchine to music by Mendelssohn, performed by the Royal Danish Ballet. Soloists include Heidi Ryom, Martin James, Johan Kobborg and Claire Still; 8pm; Apr 3

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Tristan und Isolde: by Wagner. Conducted by Christof Prick and performed by the Sächsische Staatsoper. Soloists include Anne Evans, Matti Salminen and Hans-Joachim Ketelsen; 5pm; Apr 4

■ DUISBURG

OPERA
Theater der Stadt Duisburg
Tel: 49-203-30090
● Wozzeck: by Berg. Conducted by Kontarsky and performed by the Deutsche Oper am Rhein. Soloists include T. Schmidt, Becht, Brell and Müller; 7.30pm; Apr 3, 8 (7pm)

■ FRANKFURT

EXHIBITION
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● UMBO - Vom Bauhaus zum Bildjournalismus: retrospective exhibition devoted to the work of photographer Otto Umbehr, also known as Umbo. The display includes some 100 works from all stages of his career; to Apr 13

■ GOTHENBURG

CONCERT
Göteborgs Konserthus
Tel: 46-31-7787800
● Göteborgs Symfoniker: with conductor Neeme Järvi perform Sibelius' The Oceanides, Symphony No.4 and Symphony No.1; 7.30pm; Apr 3

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Don Giovanni: by Mozart. Conducted by Jiri Krüger and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Bartha, Wangemann, Möwes and Ituralde; 7.30pm; Apr 4

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● English Chamber Orchestra: with conductor Shuntaro Sato and pianist Yuki Matsuwaza perform works by Wagner, Mozart, Takemitsu and Beethoven; *7.30pm; Apr 3*
Purcell Room Tel: 44-171-9604242
● The London Sinfonietta: with conductor Markus Stenz, mezzo-soprano Sarah Connolly, tenor John Graham Hall and guitarist Steven Smith perform Boulez' Le Marteau sans Maître and Henze's Kammermusik (1958); 7.30pm; Apr 3
Queen Elizabeth Hall
Tel: 44-171-9604242
● The New London Consort: with conductor Philip Pickett, soprano Catherine Bott, organist David Roblou, bells-player Stephen Henderson and a chorus of male and female voices perform the Stabat Mater Dolorosa, 14th-century liturgical Easter dramas and polyphony from the Cividale manuscripts, including the Lament of the Three Marys at the Cross and the Visit to the Sepulchre; 7.45pm; *Apr 3*
EXHIBITION
Victoria & Albert Museum
Tel: 44-171-9388500
● Arts and Crafts Architecture: coinciding with tha V&A's major William Morris exhibition, this display tells the story of the development from the 1850s of an approach to domestic architecture which matched the arts and crafts ideals of William Morris; from Apr 4 to Sep 29

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Modern Glass as Art: this exhibition, selected from the Metropolitan's collection of 20th-century architecture and design, explores glass as a medium for contemporary art and includes *works made* by a *variety of* techniques manipulating tha glass through blowing, casting, etching, flameworking, and stained glass; *from* Apr 8 to Oct 6
OPERA
New York State Theater
Tel: 1-212-875-5570
● *The Dreyfus Affair*: the American premiere of this opera by George Whyte, with music by Jost Meier. Conducted by Robert Duerr and performed by the New York City Opera. Soloists include John Daniecki, Joseph Corteggiano, Stephen Powell, Nina Warren, Melanie Sonnenberg and Mark Delavan; 8pm; Apr 2, 5

■ PARIS

CONCERT
Cité de la Musique
Tel: 33-1 44 84 45 00
● Ensemble Intercontemporain: with conductor David Robertson and cellist Pierre Strauch perform Jarrell's Assonance V and Varèse's Intégrales; 8pm; Apr 3
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Symphony No.5: by Bruckner. Conducted by Christoph van Dohnányi and performed by the Cleveland Symphony Orchestra; 8pm; Apr 3

■ SALZBURG

EXHIBITION
Rupertinum - Salzburger Landessammlungen
Tel: 43-662-80422336
● Paul Strand: The world on my doorstep, 1950-1976: travelling exhibition organised by the Paul Strand Archive at the Aperture *Foundation; from Apr 5 to Jun 9*

■ STOCKHOLM

DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Don Quixote: a choreography by Rudolf Nureyev after Marius Petipa to music by Minkus/Lanchbery, performed by the Royal Swedish Ballet. Music performed by the Royal Swedish Opera Orchestra with conductor Renat Salavatov. Soloists include Madeleine Onne, Jan-Erik *Wikström, Göran Blomqvist and* Leszek Kostrzewski; 7.30pm; Apr 3

■ VIENNA

DANCE
Wiener Staatsoper
Tel: 43-1-514442960
● Staatsopernballet: perform four choreographies by Georga Balanchine: Pas de Deux to music by Stravinsky, Apollo to music by Tchaikovsky, Serenade to music by Hindemith, and Die Vier Temperamente to music by Tuggle; 7.30pm; Apr 3, 9

■ ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● *Samson et Dalila*: by Saint-Saëns. Conducted by Serge Baudo and performed by the Oper Zürich. Soloists include José Carreras, Agnes Baltsa and Giorgio Zancanaro; 7.30pm; Apr 2

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Financial Times Business Tonight

COMMENT & ANALYSIS

Martin Wolf

Disappointment assured

International labour standards are incapable of giving rich countries the job security or poor countries the economic opportunities they want

"It isn't fair." Most parents of small children hear this complaint many times a day. Occasionally, the child is correct. More often, what it means is "how could this happen to *me*". Fortunately, as people grow older, they usually learn to distinguish what is genuinely unfair from the mischances of life. Usually – but not always. Among the biggest exceptions is international trade. One reason for this is that legislators are as amenable to the whingeing of their citizens as are parents to childrens' moans.

Complaints of unfairness are central to the demands of what Americans call the "blue-green coalition" – bringing together labour unions and environmentalists – which argues for inclusion of labour and environmental standards in trade agreements. Such demands have surfaced both in regional arrangements and in the World Trade Organisation. The environment is already on the agenda of the WTO. A coalition of the US and France is working hard to put labour standards on the agenda, too.

So is harmonisation of labour standards a prerequisite for mutually beneficial liberal trade? The answer is no. More precisely:

- minimum labour standards are unlikely to raise the welfare of poor people in poor countries;
- the absence of internationally enforced minimum labour standards is unlikely to damage the interests of rich countries; and
- there exist no standards that would do much to help rich countries sustain their own labour standards while not harming poor countries.

Virginia Leary, professor of law at the State University of New York, argues – in one of the papers contained in a splendid pair of books on harmonisation and trade – that everyone would agree certain practices are beyond the pale.* These include slavery and forced labour; child labour; restrictions on freedom of association and the right to collective bargaining; and discrimination in employment.

"The acceptance of these fundamental standards should not result in economic difficulties for developing countries," she argues. Unfortunately, things are not that simple. Prisoners are not better off if they do not work. On the contrary, if they were paid wages for work that also taught valuable skills, they are likely to be better off than if left in idleness. Similarly, whether it is better for children to be prevented from working depends on what would happen to them otherwise. What is forgotten in considering the alternatives confronting their parents is how desperately poor many in the poorest countries actually are. Real income per head in Bangladesh is only a twentieth of that of the US.

What then of collective bargaining? As the chart shows, east Asia is the one region in the developing world to have achieved rapid increases in real wages since 1970. It is also a region in which the rights of collective bargaining were almost universally restricted during the initial period of industrialisation. Is this a coincidence?

Almost certainly not. In poor countries, unionisation is almost always below 20 per cent of the labour force. Unionised workers are therefore a tiny elite of relatively well-paid workers to an ocean of destitution. Their utterly comprehensible goal is to raise their own real wages, by preventing competition from the hungry people pouring in from the countryside or in poorly paid urban employment.

All the same, cartelisation of labour employed in modern, large-scale enterprises is not in the interest of the population as a whole. This is because:

- Higher real wages in modern industry will shift employment into other activities, thereby lowering real wages for non-unionised workers.
- Overall investment will be lower, particularly foreign direct investment, as returns are reduced.
- And the growth of labour-intensive, modern industry will be curtailed.

The proposition that there exists a set of universally agreed labour rights whose forcible imposition would unambiguously benefit poor people in the poorest countries is very questionable. But would their imposition at least benefit people in rich countries? The answer again is no.

The heart of this argument is the notion that trade can be mutually beneficial only if there is a "level playing field". The applicability of this sporting image is demolished in another article in the books, by Professor Richard Cass of Boston University and Richard Boltuck of the Trade Resources Company.

Behind it, they note, lies the assumption that trade is a zero-sum game in which the authorities should give each contestant a fair opportunity. But this is self-evidently inconsistent with the notion that comparative advantage is determined by features of an economy, such as supplies of skilled labour, over which nobody has much control except in the long term.

In their chapter, Professors Drusilla Brown, Alan Deardorff and Robert Stern of Michigan University note that if higher labour standards are imposed on the export industries of labour-abundant countries, the prices of their exports will rise. The resulting deterioration in their terms of trade will *reduce* the aggregate incomes of importing countries. Thus the argument in favour of imposing standards on poor countries is more about the internal distribution of income within rich countries, which can also be tackled with taxes and subsidies.

The argument is also about the feasibility of sustaining high labour standards in rich countries at all. This is the "race-to-the-bottom" argument – the view that low labour standards elsewhere make it more difficult to maintain one's own high standards. To aspects of this process the pejorative label "social dumping" is commonly applied.

Is this a reasonable concern? Not really is the answer, for at least three reasons.

First, labour and other standards should diverge across countries, because of differences in income, tastes, resources, skills and so forth. Such diversity may itself be a source of beneficial trade. It would, for example, be possible for countries wanting to limit health-threatening work to go further in that direction with trade than without it, since they will be able to import the products of dangerous activities.

Second, the combination of high standards with international trade does not mean a country will have a comparative advantage in nothing. If the standards raise the cost of unskilled labour more than of skilled labour, activities intensive in the use of the former will shrink. A rich country will then be forced to move still further towards activities intensive in the use of skilled labour than otherwise.

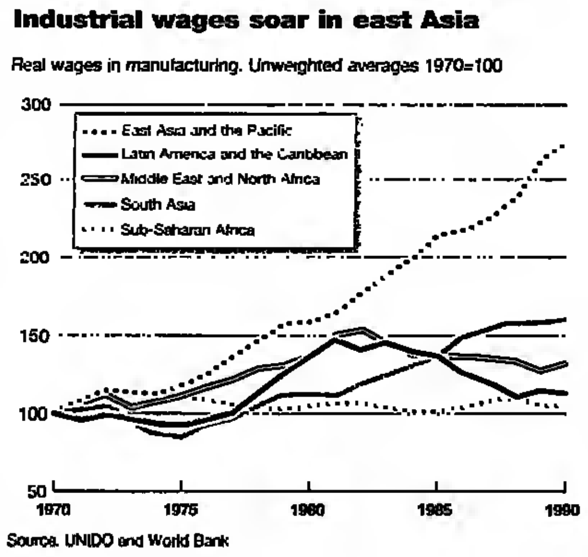
Finally, as John Wilson notes in an article in the book, "there can be no race to the bottom if there are no constraints on available tax instruments and the economy is competitive". The race need not occur if, for example, governments impose optimal taxes or fines to offset social costs imposed by more hazardous or more unpleasant forms of employment.

The most important point, however, lies at the intersection of the aims of poor countries with the fears of rich ones. Poor countries will find any standard that raises their costs enough to undermine their comparative advantage in labour-intensive activities unacceptable; rich ones will find any standard that fails to reverse their comparative disadvantage insufficiently effective. No set of standards can leave poor countries with the opportunities they need and rich countries with the easy life they desire. There is only one certainty in this debate – disappointment.

* *Jagdish N. Bhagwati and Robert E. Hudec, Fair Trade and Harmonisation: Prerequisites for Free Trade? Vol 1 – Economic Analysis; Vol 2 – Legal Analysis (Cambrige, Massachusetts and London, England: MIT Press, for the American Society of International Law, 1996).*

Industrial wages soar in east Asia

Real wages in manufacturing. Unweighted averages 1970=100



Source: UNIDO and World Bank

Philip Stephens

Invitation to honesty in the halfway house

Twice in recent weeks well-known Conservative politicians have raised in the House of Commons the prospect that Britain may have to consider withdrawal from the European Union. Both served in John Major's cabinet before departing in, let us say, unfortunate circumstances. But we would be unwise to dismiss the warnings of Norman Lamont and Jonathan Aitken as no more than the mutterings of embittered outsiders.

Whatever their personal motives, theirs is the intellectually honest case, the only logical way ahead for the Eurosceptics. It recognises that, for all the posturing among less thoughtful enemies of Brussels, there is only one choice over the next five or 10 years. Britain can reach an accommodation with the European Union. Or it can disengage.

It is a choice, of course, that most of the sceptics will not admit. To do so would be to confront the reality that the battle has probably already been lost. However, much as the electorate dislikes the idea of being pushed around by foreigners, it understands the link between Europe and prosperity. The voters would not hesitate for long before opting for jobs ahead of the political abstraction of sovereignty.

To understand why the line must be drawn so sharply one has merely to consider the demands of the Eurosceptics for the intergovernmental conference which opened last week in Turin. Forget about future integration. The sceptics want to undo the past.

Thus William Cash says of the Maastricht treaty that it represents "an integrationist programme for European government which must be repealed". Others demand Britain withdraws unilaterally from the common fisheries policy. And the fury over the Brussels ban on exports of British beef has already unleashed cries for renationalisation of trade policy.

But the target of the sceptics' most serious vilification is the European Court of Justice. This institution, created in 1951 as one of the pillars of the European Coal and Steel Community, is the final arbiter in disputes arising from the treaties. Its responsibilities and duties were spelled out in the Treaty of Rome and its powers enhanced at Maastricht.

The Court's supranational jurisdiction is pivotal to its role as the guardian of system of law under which the Union operates. It was always clear to anyone who thought about it that, for Europe to function, its rulings would have to prevail over national law. To assume otherwise would be to accept that governments could flout the treaties. And, though the fact is conveniently forgotten, it was Mr Major who argued at Maastricht for the Court to be given power to impose fines on recalcitrant governments.

But now the sceptics demand that an axe be taken to its authority, that the Westminster parliament should again reign supreme. In the words of John Redwood, its judgments represent one of "the biggest threats to our freedom and independence". It is one thing for the Court to upbraid Italian milk producers or Greek olive-growers. But how dare it challenge laws made in the House of Commons?

> The sceptics who pretend that the Tory party joined a common market only to be dragged unwittingly towards political union ignore their own history

To suggest such goals are achievable at the intergovernmental conference is to insult reason. Britain would be asking others to dismantle that which they have so painstakingly built over the past 45 years. As to the much-vaunted veto on treaty amendments, it cannot apply to decisions made, agreements already signed.

Nor is the veto a reliable brake on future integration. The enthusiasm with which Germany and France are pursuing the idea of a "flexibility clause" in the next treaty should be cause for consternation, not celebration. Douglas Hurd used to think that a Europe of "variable geometry" could square the circle of Conservative disunity. Now it is obvious that it has failed to placate the sceptics and yet will further erode British influence and interests.

Those interests were always political. The sceptics who pretend that the Tory party joined a common market only to be dragged unwittingly towards political union ignore their own history. When Harold Macmillan set out the European case in 1962 his first-stated objective was political: to gain a "new stature in Europe and increased standing in the counsels of the world".

So Messrs Lamont and Aitken are right. There is no comfortable halfway house. Britain may succeed in tempering the ambitions of its partners. It can slow the drive towards centralism. But the basic choice now is the same as then. It is in or out. Those who claim otherwise do so without comprehension or honesty.

On the other side of the fence, the pro-European Kenneth Clarke understands well what is happening. He sees his party lurching towards a policy the logic of which it refuses to admit. That is why he is still fighting John Major's demand that the government put the further obstacle of a referendum in the way of a single European currency. That is why Mr Clarke may yet surprise us all.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Irony of trading outcome if veto abandoned

From Mr Bill Cash MP.

Sir, Your leader "Making the EU work" (March 29) states that a European Union in which some countries would be allowed to draw closer together to pursue their own interests, in other words variable geometry, would be an acceptable way forward for Europe. But the whole point of variable geometry, as the Germans have made clear, is to create a hard core in the field of governmental levers of power which would act as a magnet for the more reluctant member states.

What we need and what Maastricht moved away from is a genuine European Community – not a two-tier Europe – as I argued in my paper for the Conservative manifesto committee in January 1991. But now we are trapped by Maastricht in a two-tier Europe and from which we can only escape by renegotiation at the intergovernmental conference.

In the Union now proposed the German-dominated hard core would call the tune. Theo Waigel, the German finance minister, has already proposed that member states which will not, or cannot, participate in economic and monetary union must enter a new ERM or be punished for having "unfairly" competitive currencies by means of fines or even trade sanctions. We would then find ourselves in a Community whose institutions – which belong as much to us as to anyone else – could be used to impose sanctions on us.

If, as you advocate, we abandon the national veto, we would not be in a position to block such a move. What a remarkable irony this would be; 25 years after joining a Common Market, ostensibly for reasons of free trade, we would find it more difficult to trade with the rest of the Community than would countries on the outside.

Nothing could more threatening to any state's national interest than handing over levers of governmental power to a hard core.

Bill Cash,
chairman,
The European Foundation,
61 Pall Mall,
London SW1Y 5HZ, UK

Selling at the right price

From Mr S.B. Yuksel.

Sir, A senior EMI executive is reported as saying: "The staple repertoire we've been selling for years is just not selling any more" (Arts: "Truce likely in soundbite row", March 29).

It may be good to note that the budget label Naxos, with artists like the pianist Idil Biret, is selling millions of CDs with the very same staple repertoire of Chopin, Brahms, Rachmaninoff etc.

The answer to the problem is to combine high quality with affordable prices. Obviously difficult with a £60,000 production cost for a Mahler Symphony CD selling only a few thousand copies a year.

S.B. Yuksel,
526 Avenue Louise Bte 9,
Brussels 1050, Belgium

Real Soviet turning point

From Mr A. Latham-Koenig.

Sir, In his interesting review of Archie Brown's book *The Gorbachev Factor* (March 28), Rodric Braithwaite writes that Gorbachev "insisted on the contested elections in 1989 which were a turning point in Soviet history".

He omits, however, two other important turning points: first, Andrei Sakharov's liberation in 1986 which abowed Gorbachev'a willingness to alter the rules of the regime; and, especially, the ending of political power by a vote of the central committee in February 1990 – which was the real and conclusive turning point.

Alfred Latham-Koenig,
Ernst & Young,
Becket House,
1 Lambeth Palace Road,
London SE1 7EU

Nothing dictatorial about minimum wage countries

From Mr Chris Pond.

Sir, Until I looked at the date above the article, I thought that Michael Prowse was serious in his contention that "minimum wages are the kind of dictatorial measure that one expects in a totalitarian society" ("Jobless by decree", April 1).

Every member of the G7 meeting in Lille, except the UK, has some form of legally enforceable minimum wage protection, and few would consider themselves, even jokingly, as "dictatorial" or "totalitarian".

Prowse believes that in Europe "minimum wage laws substantially increased unemployment". Not surprisingly, he offers no evidence for the assertion.

In fact those countries with minimum wages actually performed far better than the UK in terms of employment growth throughout the past quarter of a century.

An April Fool jest from across the Atlantic? Well maybe, but some won't be laughing. The residential care worker who came to the Low Pay Unit recently for help, for instance, working 112 hours a week for a wage before tax of £150.

Low pay is the single most important cause of poverty in the UK.

Despite its pitifully inadequate social and employment protection, Britain continues to slip down the world competitiveness league. And that's no joke.

Chris Pond.,
director,
Low Pay Unit,
27/29 Amwell Street,
London EC1R 1UN, UK

World Bank staff more in need of clear-cut role than criticism

From Mr Anthony Rowley.

Sir, World Bank president James Wolfensohn laments that there appears to be a "glass wall" dividing him from his staff ("World Bank chief accuses staff of blocking reforms" March 29). He also appears to be dismayed by the "cynicism" which he suggests prevails among many senior managers within the institution.

The World Bank is a very large and bureaucratic institution, and is no doubt subject to the kind of inertia that characterises all such institutions. However, it is also true that the bank has been robbed of its sense of mission by the prevailing confusion over what should be the relative roles of the public and private sector in development.

Responding largely to current US orthodoxy that multilateral institutions should function mainly as "catalysts" for private sector financing, the bank has been forced to modify its original mission drastically. It is as if an army with a long record of fighting its own battles were suddenly told that its job is simply to clear away land mines and other obstacles so that a privatised military force with barely any record in the field could take over. Is it so surprising that regimental morale and sense of mission should be lacking in such circumstances?

Mr Wolfensohn might more profitably engage in dialogue with his paymasters in Washington and elsewhere on what is a realistic and clear-cut role for the World Bank rather than holding endless in-house meetings alternately berating or cajoling his demoralised subalterns.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday April 2 1996

Yeltsin's Vietnam

On March 31, 1968, Lyndon Johnson halted the bombing of North Vietnam and offered peace talks "any place, any time". Boris Yeltsin is unlikely to have had this precedent in mind when he chose the same date to announce his peace plan for Chechnya. Unlike Johnson, he did not seek to give credibility to his offer by announcing that he would not stand for re-election. On the contrary. Mr Yeltsin's peace plan is transparently aimed at securing his re-election, by disassociating him from a war which has become one of the most unpopular aspects of his rule.

Yet the two wars do have much in common. Both were undertaken for objectives which enjoyed broad popular support. Most Americans wanted to resist the spread of communism in Asia. Most Russians wanted, and still want, to resist the break-up of the Russian Federation. But in both cases the cost of the war undermined the state's ability to carry out domestic reforms without resorting to inflation. In both cases the loss of soldiers' lives, in a war that dragged on with no clear strategy, alienated much of the public. In both cases the wholesale destruction wrought by a great power on a small country shocked the world and sapped morale at home, including the morale of the armed forces. In both cases, but in the Russian case on a much larger scale, units in the field committed atrocities which may not have been authorised or intended by their superiors.

Lasting damage

The precedent is not encouraging for Russia, or indeed for Chechnya. The US remained in Vietnam for nearly five more years after Johnson's initiative, then withdrew, leaving its South Vietnamese protégés to their fate. US prestige and morale suffered lasting damage. Vietnam asserted its independence, but at a terrible price, and languished for many years thereafter in isolation and poverty, under a dictatorial regime.

Chechens today have little reason to trust Mr Yeltsin's overtures. A period of uneasy truce last summer, during which there were indirect talks between Russia and their leader, Dzhokar Dudayev (much as Mr Yeltsin again proposes now), was followed during the winter by a renewed onslaught as savage as the original bombardment of Grozny in December 1994. In the last few weeks, especially, there has been vicious and widespread bombing of civilian settlements. Even now General Vyacheslav Tikhomirov, commander of Russian forces in Chechnya, says that "mediated talks with Dudayev's supporters can only be about them handing over their weapons, not about any sort of concessions".

Electoral chances

Yet the rest of the world can only welcome Mr Yeltsin's speech as at least a step away from the brutal policy of the recent past. Clearly he has come to realise, however belatedly, that the war is doing immense damage not only to his reputation abroad but also to his electoral chances at home, undermining his economic policies and making it impossible for many leading democrats to support him even against a communist rival.

By promising "free democratic elections...to a republican legislature which must represent the interest of all the population of Chechnya", Mr Yeltsin is admitting that the election held there last December was neither free nor democratic, because it excluded Mr Dudayev's supporters, whom a large part of the population sees as representing its interests. His promise will be meaningless unless there is a genuine and complete ceasefire, and unless the conditions for holding new elections are negotiated with Mr Dudayev. Troops, including the dreaded "Omon" antiterrorist brigades, would have to be withdrawn to barracks, if not from the territory altogether, and there must be impartial foreign observers, presumably from the Organisation for Security and Co-operation in Europe.

If such terms were offered, and if the amnesty Mr Yeltsin proposed is put into effect, Mr Dudayev should certainly be prepared to negotiate. Anything less he could denounce as a sham, and most of the outside world would agree with him.

The giants of world telecoms

A handful of giants, straddling the world market. That may be the ultimate result of the revolution in world telecommunications. What is more, many of those titans may be former national or regional monopolies. The continuing strength of such companies in many countries is striking, despite the host of rivals and new technologies entering the fray.

Recent proposals for corporate mergers - between British Telecommunications and Cable and Wireless, and between the two US Baby Bells SBC Communications and Pacific Telesis Group - suggest how entrenched positions may be bolstered and extended. The questions now are whether incumbents' market power will persist, and whether regulators should do anything about it.

Such questions might seem curious given the legislative and regulatory drive now under way across much of the globe. The US is forging ahead with deregulation, removing barriers between long-distance and local markets. In January 1998, 15 European Union countries, Switzerland and Norway are due to open their domestic markets to competition. Japan has been considering whether to break up NTT, the state-controlled monopoly, while Chile, Malaysia and the Philippines are all courting competition for their existing services.

These moves are intended to introduce competition, improve services and bring down prices. Many are confident that they will do so. Some industry analysts estimate that European national monopolies could lose up to 40 per cent of their markets and 70 per cent of their profits in five years.

Grounds for caution

Yet the experience of the UK, which led the way with the 1984 privatisation of BT, gives grounds for caution. Despite the government's policy of promoting competition in infrastructure, and of tilting rules in favour of new entrants, BT has held on to 78 per cent of the business market and 92 per cent of residential.

In part, that is because competition has yet to bite as hard as it might. Local competition, mainly from cable, is still young. While all call charges have fallen since privatisation, the present charges still support an intricate pattern of cross-subsidies between different regions and types of user.

That is vulnerable as competition increases; for example, the Internet puts pressure on long-distance and international rates. Such pressures may bring prices closer to costs, and may also help erode an incumbent's grip on certain markets.

But that will occur only if rivals are genuinely competitive. BT's new rivals have made an unimpressive plea to the regulator not to set BT's price cap so tightly that they cannot undercut its prices, as they must do to persuade its customers to switch.

Inherent advantages

The worry for new entrants is that incumbents may enjoy more inherent advantages than previously recognised. These could rest in economies of scale, experience, and customer familiarity. There may also be benefits from vertical integration of network and retail businesses which regulators have not yet eliminated.

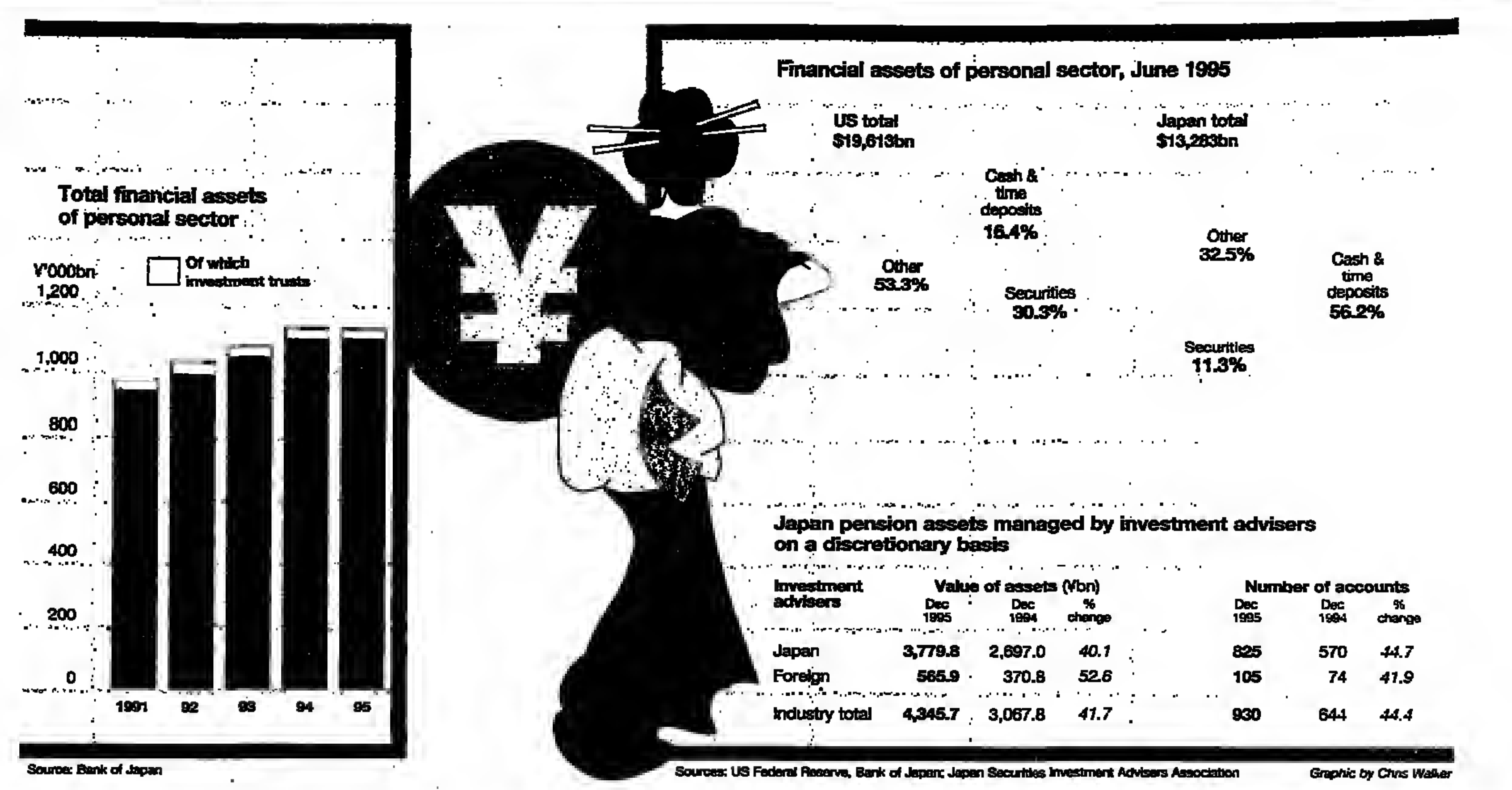
The existence and extent of such advantages are a moot point. But if incumbency advantages prove significant, there are important implications.

For companies, the value of an entrenched position may be greater than previously thought. The mutual interest of BT and Cable and Wireless may be better justified by their market power in the UK and Hong Kong than by hopes of "growth in Asia" which BT has expressed.

Similarly, while many predict that the Baby Bells' profits will be slashed by competition, the capital and marketing costs for new rivals are formidable.

Governments should not expect competition to flourish just because they have made it legal. New services will need to be genuinely cheaper than existing ones. The vision that regulation will wither away as competition grows may also need modification.

There may be a case for breaking up incumbents, or for regulating them for longer, and more intrusively, than originally envisaged.



Investment advisers	Value of assets (Ybn) Dec 1995	Dec 1994	% change	Number of accounts Dec 1995	Dec 1994	% change
Japan	3,779.8	2,697.0	40.1	825	570	44.7
Foreign	565.9	370.8	52.6	105	74	41.9
Industry total	4,345.7	3,067.8	41.7	930	644	44.4

Source: Bank of Japan

Sources: US Federal Reserve, Bank of Japan; Japan Securities Investment Advisers Association

Graphic by Chris Walker

The doors are opened

The latest package of measures to deregulate Japan's financial markets follows pressure at home as well as from abroad, says **Gerard Baker**

Cynics might say it was appropriate that Japan chose April 1 for the introduction of what it describes as one of the largest ever deregulation packages to open the country's financial markets to the world.

Foreigners have found that the potential rewards of participating in these markets generally prove to be much greater than the actual results. In spite of repeated claims by the government that it is abolishing or relaxing thousands of rules that limit freedom of manoeuvre, access for foreigners has been strictly limited.

But the latest measures that came into effect yesterday - the culmination of a rolling programme of reforms - could turn out to be rather more than a cruel April Fools' Day delusion.

They come at the end of a tumultuous financial year for Japan and its banks, brokers and insurance companies. By market pressure as much as regulatory fiat, the stranglehold of the domestic institutions on financial markets has at last begun to loosen.

Mr John Alkire, president of Morgan Stanley Asset and Investment Management in Tokyo, says: "The reforms mean that increasingly for foreigners the limitations on our capacity to do business here are limitations we create ourselves, not constraints imposed from outside."

April 1 this year was the deadline set in January 1995 by the Japanese and US governments for deregulation in some of the most important and lucrative areas of financial activity.

Japan agreed in effect to open the doors of these markets not just to US but all foreign companies. But some of the changes are the product not only of outside pressure but also of growing dissatisfaction at home among the big clients of the domestic Japanese institutions that currently dominate the markets.

The most important reforms are in the field of asset management, with foreign companies gaining much greater access to Japan's enormous, but underperforming, pension fund assets.

Japan's Y200,000bn (£1,234bn) pension market was once the exclusive preserve of the country's trust banks and life assurance companies.

The first foreigners were allowed into the market in 1985 when foreign trust banks were permitted access. But they have made relatively slow progress in a still limited field of operation. In 1990, a further small niche in the private sector market was opened to investment advisers - a category including most foreign asset managers.

But from yesterday, investment advisory companies have access to half the funds of corporate pension funds - an increase from a third under the old rule. This alone opens up another potential Y5,000bn in private companies' funds to foreigners.

Perhaps even more revolutionary is the change that permits the big public sector pension fund, the Pension Welfare Service Public Corporation, or Nempuku, to commit all its funds to investment advisers; previously foreigners had no access to those funds, worth an estimated Y20,000bn.

Nempuku has pressed hard for the change and has already been active in handing out the first tranches of its funds to foreigners. In February, it announced that two foreign companies - the fund management arms of the US firms Morgan Stanley and Goldman Sachs - would each receive funds. Within a few weeks, it is expected to offer more contracts to foreigners.

While the timing of the Nempuku decision was dictated by the rule change, the move also emphasises the growing strength of market forces within the Japanese system. The public sector trust fund manager has become increasingly disillusioned by poor returns on its assets placed with Japanese life assurers and trust banks.

A few months ago, that disillusionment reached breaking point when the life assurers said they planned another cut in the guaranteed rate of return they offer investors. From this year, the return is just 2.5 per cent.

And it is not just the public sector that, freed from its regulatory shackles, is voting with its feet. Dozens of private sector companies are now opening the doors of their pension funds to foreigners.

In the last year, the value of pension fund assets managed by foreign investment advisers has risen by 50 per cent. According to foreign managers in Tokyo, more than half of the top 30 Japanese companies have recently appointed foreign companies as pension fund managers.

"Once you've developed a pedigree in the Japanese market, corporations are now quite ready to sign you up to manage their funds," says Mr Clifford Shaw, president of Mercury Asset Management in Tokyo.

Again, the pressure for change comes as much from disgruntled Japanese companies as outside. Most big corporate pension funds are looking to improve their returns. The prospects of better returns from US and European managers are alluring.

The next big area of change under the US-Japan agreement concerns reforms to the operation of investment trusts. These vehicles - akin to US mutual funds or British unit trusts - hold about Y30,000bn in total funds and have been heavily dominated by domestic brokers.

The first access for foreigners came in the late 1980s but growth has been gradual, and foreigners now have about 8 per cent of the market.

US companies in particular regard a breakthrough in the investment trust market as the key that will unlock much of Japan's money. Investment trusts represent a rare opportunity for foreigners to sell direct to the consumer.

The higher performance track record of US companies should enable them to succeed in this market in much the same way that companies like McDonald's and Coca-Cola have succeeded in theirs - by proving themselves a better product than their Japanese competitors.

The longer-term potential is enormous. The thrifty Japanese hold personal financial assets of over $11,000bn, the bulk in low-yielding deposit and current accounts at banks and the post office.

Access to that money is made easier for foreigners by the abolition last year of a rule requiring separate investment trust and asset management offices in Japan.

Several US companies have already merged their two operations and expect significant cost benefits which will enable them to secure better access to the investors.

"The economies of scale we have achieved through the change are significant," says Morgan Stanley's Mr Alkire. "That should help us improve the efficiency of what we do here."

Problems remain to be solved before the foreigners can expect to overrun the Japanese financial citadel, however. The biggest impediment is still the need for companies to distribute their products through a domestic broking network, but here, too, change is expected soon.

A third area of reform under the US-Japan deal opens a completely new market. Companies in Japan will now be able to issue securities backed by bundles of their financial assets as a means of raising new finance. These so-called asset-backed securities, a big source of corporate funds in the US, have previously been banned in Japan.

The biggest demand is expected to come from businesses such as leasing and credit card companies which plan to issue securities backed by their receivables.

The big beneficiaries, though, could well be foreign securities houses. As a finance ministry official points out: "The US companies have considerable knowhow in this market and we would expect them to make a considerable impact."

Another big series of changes being implemented under the US-Japan agreement concerns the easing of restrictions on capital flows. Reforms have made it easier for companies in Japan to issue bonds overseas, and to deal in foreign exchange without the costly intervention of Japanese banks.

"We're pleased with the speedy implementation of the agreement to date," says a US Treasury official in Tokyo. "We expect to see real benefits from it quickly."

But perhaps the most striking aspect of the changes is that in every area they represent a realisation that the closed market has proved not only unfair to outsiders, but unfair to the domestic investor too.

The performance of Japanese financial institutions has fallen far behind that of their rivals overseas in a range of asset management, banking and securities markets.

The reforms are by no means exhaustive. On pension fund management, for example, they still leave over half of all pension assets out of reach of foreigners, and the web of controls that remain in the broad areas of insurance broking, derivatives trading and the like are heavy impediments to domestic and foreign companies alike.

And the central feature of the regulatory approach has certainly not changed; Japan is still a rules-based system.

As one jaundiced western observer puts it: "In Japanese financial markets, there are no clearly delineated black and white areas where something is either permitted or not, but just a vast palette full of shades of grey."

But even he admits that recent reforms have improved the picture. The overall effect has been to leave more of Japan's markets open for business.

· OBSERVER ·

Worms for the early bird

■ You have to have some sympathy for Lech Walesa. First he loses a presidential election. Then it appears that there's nothing in Poland's constitution about giving a pension to ex-presidents. Not that Poles believe Walesa is hard up; the tax authorities want a large chunk of the $1m a film company paid him way back in 1989.

Nevertheless, times are hard. Walesa was due to clock on very early todayat the Gdansk shipyard, resuming his old work as an electrician.

He might not have to set the alarm clock for too much longer. Privatisation minister Wieslaw Kaczmarek says he's talked to private investors interested in buying the mightily inefficient state-run shipyard.

Meanwhile, Kaczmarek says that if the shipyard is put on the block, interested buyers will be able to sift the details via an advertisement in the FT. Thanks very much.

Big brother

■ The purpose of *Aufsichtsräte*, or supervisory boards, has long been a considerable mystery to observers of the German corporate landscape.

Certainly Dieter Vogel, the new boss at Thyssen, must be feeling his *Aufsichtsrat* is a luxury he could well do without just now.

No sooner has Vogel slipped into the driving seat than his predecessor, Heinz Kriwet - now head of the supervisory board - sounds off about the need to split the group into three separate listed companies. Which would get rid of Vogel's job...

It's no secret that Kriwet was reluctant to move upstairs quite so quickly. As an old steel man, he's a bit irritated by Germany's biggest steelmaker now being run by someone who has probably never been near a blast furnace in his life, let alone had to shovel coal into it.

There's a lesson in this for Vogel's fellow chief executives across Germany. Inundate your supervisory boards with piles of work; then perhaps they will not have time for dreaming up similar schemes.

The unreal thing

■ Something large will emerge from an aircraft hangar at London's Gatwick airport this morning. If it were a balloon, it would easily float non-stop around the world, given the hot air and hype issuing from its sponsor, PepsiCo.

One blast should have already arrived on millions of British doorsteps. The Labour-supporting newspaper, *Daily Mirror*, was due to turn its pages an uncharacteristic blue, to promote Pepsi's new blue livery. Pepsi's agents are touting earnest stories about how Pepsi'a new TV commercials - starring Cindy Crawford, André Agassi and Claudia Schiffer - are the most expensive ever shot. Who knows - or cares?

Almost swept away by this avalanche of self-promotion is the *real* story. Pepsi-Cola thinks it has re-created itself, with new senior executives, 'new culture' and new investment.

The fizzy new team are straining at the leash to take on Coca-Cola, which remains their awesome and eternal competition around the world. (Sorry about the clichés, that's the world we're in.)

So the true message they hope will emerge from the hangar this morning is "watch out Coca-Cola." Given the enormous hype, there's every chance it will drown in a sea of froth.

Slice of action

■ The Tommy Mann Bumber, the Canterbury Big Bursar and the King Snake sound innocuous. But they're driving the people who run America's big golf equipment companies crazy.

They are all cheaply-made counterfeit golf clubs, with names deliberately intended to confuse. The Tommy Mann Bumber is a rip-off of the famous Taylor Made Burner Bubble. The other two are illegal versions of the Callaway Big Bertha and the King Cobra.

Manufacturers of the genuine articles are fighting back. The US customs service has ruled that the Tommy Mann Bumber was indeed an illegal version of the Taylor Made Burner Bubble, and could be confiscated. The US customs service are now more likely to dig around other rip-off merchants. In the US alone, annual sales of fake golf clubs are reckoned to be worth at least $30m, most of them coming from China or Taiwan. They sell for as little as $89, against $250 to $300 for the real thing.

Mind you, a slice is a slice, whatever'a between your hands.

Crashing bore

■ This could catch on. Lynne Battaglia, a US attorney, has just filed a claim against convicted marijuana smuggler Robert Michael Pate. Besides his freedom, Pate has also lost his house and cash. Now Battaglia wants... his frequent flier miles, all 117,705 of them.

Federal prosecutors say that as Pate acquired the miles - enough for three return trips to Jamaica - through his drug business, the miles are government property. If the state gets its hands on the miles, law enforcement agencies will use them in pursuit of other drug traffickers.

The world's their oyster...

The Financial Times

100 years ago

The rising in Rhodesia

London:- A meeting of the directors of the British South Africa company was held yesterday, and a request was forwarded to the Government for the despatch of a force of 500 men to Bulawayo from the Cape to reinforce the volunteers and police.

Cape Town, April 1, evening:- Sir Hercules Robinson, the High Commissioner, has authorised the raising of a body of 500 men at Mafeking for service in Rhodesia. Major Plumber is to command the force.- Reuter.

[An Ndebele uprising against the demands from European settlers for prospecting rights was suppressed in 1896.]

50 years ago

The unmoral state

The Bill for expropriating the Adelaide Electric Supply Company'a Undertaking, now before the South Australian Parliament, combines in one measure almost every injustice that can be done to ordinary shareholders. It bases compensation on arbitrarily "pegged" market prices. It robs them of their residual equity. By sweeping aside income-tax rights of the British-held shares, it discriminates against absentee holders.

FINANCIAL TIMES
Tuesday April 2 1996

Project aims to enhance city's influence in east Asia

Shanghai shortlists three designs for new airport

By Tony Walker in Beijing

Shanghai has shortlisted three designs for its planned showcase international airport in Pudong, the 500 sq km economic zone designed to boost the city's industrial and financial influence in east Asia.

The remaining contenders for design work on the airport, to be located on the east bank of the Huangpu river, are Greiner Engineering of the US, Naco-Foster, a Dutch-British consortium, and Aeroport de Paris of France.

The Shanghai municipal government had initially selected six contenders from 30 proposals submitted for the prestigious project. An international panel of judges narrowed this to the shortlisted three.

Pudong airport is expected to be operational by 1999 and to be handling an estimated 20m passengers a year by 2005. This compares with the 13m passengers using the existing Shanghai international airport annually.

The official Xinhua news agency reported that civil works were already under way on the new airport, which is to occupy a 36 sq km site 30km from Shanghai's city centre.

Plans for Pudong airport are part of an ambitious Chinese programme to build new airports and upgrade existing sites to cope with rapidly increasing air traffic. China has earmarked Yn8bn ($1.1bn) for spending on airports this year, the first year of the ninth five-year plan (1996-2000).

Mr Li Zhao, vice-minister of civil aviation, said recently China would "do its best" during the plan to reconstruct 40 of the country's 132 airports. This would involve upgrading passenger facilities and improving runways and navigation aids.

Mr Li expected airport reconstruction to cost Yn73bn over the next five years, of which the government would provide about a third. The balance would come from local government and foreign investors.

The amount earmarked for investment in airports to the end of the century is about three times that provided in the eighth five-year plan.

The most ambitious airport project is in Beijing, where work has begun on a new terminal with capacity for 30m passengers. This is expected to be completed in 1999 at a cost of Yn7bn-Yn8bn.

China, whose economy is expected to grow at 8-10 per cent for the rest of the century, is planning for 10 per cent average annual passenger growth for the next 20 years, compared with a forecast worldwide increase of 5.1 per cent.

Chinese airlines have about 400 commercial jets in service. This number is expected to rise to 640 by the end of the century.

US backs Chechnya ceasefire effort by Yeltsin

By Chrystia Freeland in Moscow

Russian president Boris Yeltsin's effort to bring an end to the war in Chechnya – and to improve his chances of re-election – yesterday prompted a lull in the fighting and a show of strong support from the US.

The US government, which fears a communist victory in June presidential elections, backed the Russian leader's attempt to halt the unpopular war. "We welcome president Yeltsin's decision ... and call on Chechens to respond in a similar spirit," said Mr Anthony Lake, the US national security adviser.

Mr Mikhail Gorbachev, the former Soviet president who, like Mr Yeltsin, is more popular abroad than at home, yesterday tried to lift his political profile, offering his services as a mediator between the Kremlin and Chechen separatists.

In spite of the international backing, Mr Yeltsin did not seem much closer to achieving his twin goals of ending the 15-month conflict in Chechnya and winning back disenchanted Russian voters.

Less than 24 hours after Mr Yeltsin declared a halt to Russia's offensive in the separatist region, the gap between rhetoric in Moscow and the realities of a partisan war which has already claimed some 30,000 lives was already apparent.

Chechen separatists said they did not expect the war to end and Russia's senior general in the region admitted Russian forces would continue to fight, although not as intensely as over the past few weeks.

General Vyacheslav Tikhomirov, the commander of Russian forces in Chechnya, said federal troops would continue to "disarm unlawful gangs", a phrase which Russians leaders have used to cover everything from sporadic gunfire to the bombing of villages.

In Moscow, Mr Yeltsin's initiative received a cool domestic reception.

A group of Russia's most prominent liberals, including one of Mr Yeltsin's former cabinet ministers, publicly announced they would not support the Russian leader's bid for re-election in the June 16 ballot.

Ms Ella Pamfilova, former minister for social policy and a member of the group, said that despite the threat of a communist comeback she could not back Mr Yeltsin because of "a number of moral factors, including the war in Chechnya".

The liberals said they would support Mr Grigory Yavlinsky, Russia's most popular reformer outside the government, whose backers Mr Yeltsin has been trying to woo in an effort to build a broad, anti-communist coalition.

Editorial Comment, Page 13

Daimler

Continued from Page 1

supervisory board, it will also need to be approved by an annual shareholders meeting in May.

Other German companies are considering following suit. Mr Ron Sommer, chief executive of Deutsche Telekom, said in an interview last week he would like an executive share option scheme introduced when the state-owned telecommunications group is privatised later this year.

Siemens, the German electronics group, is also examining possible schemes.

Daimler's plan comes after a year of turmoil at the group, marked by a change of chairman, the dismantling of the loss-making AEG industrial goods subsidiary, mass redundancies at Daimler-Benz Aerospace and a DM6bn loss for 1995.

Telecoms

Continued from Page 1

price, reached in January this year. A third of the enlarged board of the merged company will consist of Pacific Telesis executives

Apart from the US, SBC has operations in the Liverpool area of the UK, Israel, Australia and Mexico. It has strengths in cable television and mobile communications and claims to have been the first company to deploy a commercial personal communications service in the US.

It has spent almost $16bn on its US network since 1984 but was the slowest of the Baby Bells to convert the network to modern digital transmission.

Pacific Telesis has its core strength in California and Nevada, where it has more than 14.9m lines in service.

Eastern German states fear cuts in cash aid from Bonn

By Peter Norman in Bonn

Finance ministers from five eastern German Länder (states) yesterday buried their political differences to warn that sharp cuts in financial support could cripple investment and boost unemployment in a region still struggling to catch up economically with the west.

The ministers from Chancellor Helmut Kohl's Christian Democratic Union (CDU) and the main opposition Social Democratic party (SPD) issued a joint document rejecting recent calls for cuts in financial assistance from western Germany to the east.

Their paper, agreed at a meeting in Schwerin last Friday, did not make any special demands for assistance from Bonn. But it was a further sign that Germany's economic slowdown is fuelling tensions between the two parts of the country.

With concern mounting over large public sector deficits at both federal and state levels, the ministers' action was a clear warning that the sharp cuts in public spending promised by Chancellor Kohl in the 1997 federal budget should not put an unfair burden on the former Communist east Germany.

The ministers said sharp cuts in financial transfers to assist investment "would in all probability lead to economic setbacks in the new Länder". Such cuts could be counter-productive as they might lead to increased transfers for social support.

Ms Barbel Kleedehn, the CDU finance minister of Mecklenburg-Vorpommern, said growth in the eastern German economy was not yet self-sustaining in spite of progress since reunification five years ago.

Eastern Germany accounted for only 10.9 per cent of the nation's gross domestic product, she said. Industrial production was only 5 per cent of the national total while productivity levels were still only just over half those in the western states. After taking into account concealed unemployment, which is held out of official statistics through such measures as job creation schemes and training programmes, about a quarter of the labour force was without a regular full-time job against about 10 per cent in the west.

Ms Wilma Simon, finance minister in the SPD government of Brandenburg, said the economic situation in the eastern Länder was worsening, with a steep deceleration of growth hitting tax revenues. Leading economic research institutes had calculated that the new Länder would need financial support for the next 10-15 years, she said.

Mr Georg Milbradt, CDU finance minister of Saxony, said that the end of the post-reunification construction boom in eastern Germany was a particular threat to growth.

The five ministers took issue with the common assumption that western Germany was supporting the east to the tune of DM200bn ($134bn) a year. They said this was a gross amount that took no account of flows back to western Germany.

THE LEX COLUMN

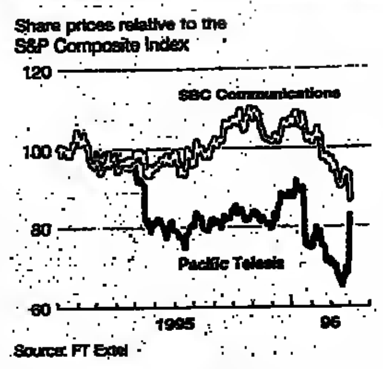
Ringing the bells

The Baby Bells' mating season has begun. Yesterday's $17bn all-share purchase of Pacific Telesis by SBC Communications is probably only the first such combination. This year's US Telecommunications Act – which pulls down the barriers between cable, local and long-distance communications – is spurring a dramatic restructuring of the industry.

The rationale for such deals is not cutting costs but expanding "footprints". With bigger footprints, the Baby Bells – now largely confined within their regions – will be better able to compete against nationwide groups like AT&T. Over 60 per cent of the long-distance traffic originating in SBC's and PacTel's regions terminates in their enlarged territory; the merged group will be in an excellent position to bid for this business. And with 20 per cent of US traffic to Asia starting in their regions, which include California and Texas, it is well-placed to build an international business. The combined group will also be well on the way to offering nationwide mobile communications.

SBC is paying a healthy premium of nearly 40 per cent. Still, the weak performance of PacTel's share price means that the deal will barely dilute SBC's earnings per share. And the multiple of six times operating cash flow does not look extravagant compared with the 12 times cash flow US West paid for Continental Cablevision, a cable group, in February. Meanwhile, the decision to cut PacTel's dividend as part of the merger will save about $400m a year. With strengthened finances and greater bulk, SBC will soon be a force overseas.

FT-SE Eurotrack 200:
1689.9 (+1.1)



Source: FT Extel

likely be an avalanche of similar schemes throughout German industry. Deutsche Bank last week announced its plans. Deutsche Telekom and Siemens are considering following suit.

In terms of making German companies more investor-friendly, share options are probably more important even than Daimler's pioneering listing on the New York Stock Exchange and its switch to US accounting rules two years ago.

That said, Daimler could improve the details of its scheme. Allowing options to be exercised if the share price rises 15 per cent could reward luck rather than good performance; Daimler might underperform a rising stock market. It would be much better to link the exercise of options to outperforming an index like the Dax.

German options

It is hardly surprising that employee representatives are having problems with Daimler-Benz's executive share option scheme. Rewarding top executives by share price performance could mark a decisive shift in Germany's stakeholder culture. Daimler has been proclaiming the virtues of shareholder value since Mr Jürgen Schrempp took over as chairman last year, but some investors think this is mere lip-service. If the management was rewarded with options, it would be clear its money was with its mouth. The understandable fear among employees must be that, in an attempt to enrich themselves personally, the management would sell staff interests short. Daimler will need to persuade employees this is not a zero-sum game and that a company thriving financially will ultimately be good for jobs.

If Daimler can pull this off there is

Aetna/US Healthcare

Aetna's $8.9bn takeover of US Healthcare could trigger a wave of bids for other "health maintenance organisations", HMOs, which offer low-cost health cover to employers by providing only limited access to doctors and drugs, have been stealing market share from traditional insurers such as Aetna. These are also finding that too much of the claims they pay out on their old-style indemnity policies is gobbled up by medical costs.

Clearly Aetna wants the expertise of US Healthcare to help contain these costs, as part of total expected savings of $300m from the merger. The combined group will now be able to offer the likes of General Motors two types of insurance policy, both backed by strong brand names. Aetna, which was cash-rich following last year's $4bn sale of its property-casualty business, is also buying itself a more stable source of income.

At first sight, it less easy to see what US Healthcare is getting out of the deal. HMOs have been expanding exponentially – the group's growth rate between 1989 and 1994 was 70 per cent annually, making a bid at 20 times this year's earnings look stingy. But that growth was fuelled by an ability to cherry-pick employers with young workforces and below-average claims. As geographic coverage of the HMOs has spread, competition has hotted up.

US Healthcare shocked the market when it announced a cut in its premiums a year ago and analysts now estimate its future earnings growth at 12 per cent a year. Perhaps Mr Leonard Abramson, its chairman and main shareholder, has spotted a chance to get out at the top.

Scitex

Hostile takeovers have been anathema in corporate Israel, but it is easy to see why Scitex could become a rare victim. With around $155m of net cash and a book value of $16.38 a share, the company looked extremely vulnerable at Friday's closing share price of $13⅞. The management allowed Scitex to miss out on the desktop publishing revolution and costs got out of hand. A new chief executive was brought in last November, but it looks like a case of too little too late, so there is little reason for shareholder loyalty. And since the approach has been from a respected Israeli entrepreneur, there should be no objections on nationalistic grounds.

Israeli investors should welcome the concept of hostile takeovers as a means of keeping managements on their toes. But Mr Davidi Gilo's proposed $20 a share offer looks more opportunistic than generous, and at that price he is unlikely to dislodge Scitex's core Israeli shareholders Clal Electronics and PEC. The company was in the red last year thanks to $67m of exceptional charges, but having stripped out costs and refocused on growth areas it is back on a recovery track. Besides, the IDB Development group, which controls PEC, would not relish any dilution of its influence in Israeli business.

The wild card in any bid battle will be International Paper, which paid $44 a share for its 11 per cent stake and must be keen to liquidate a poor investment. But the current offer would represent an unpalatable 55 per cent loss on the investment. Mr Gilo will have to pay more.

Additional Lex comment on UK water, Page 24

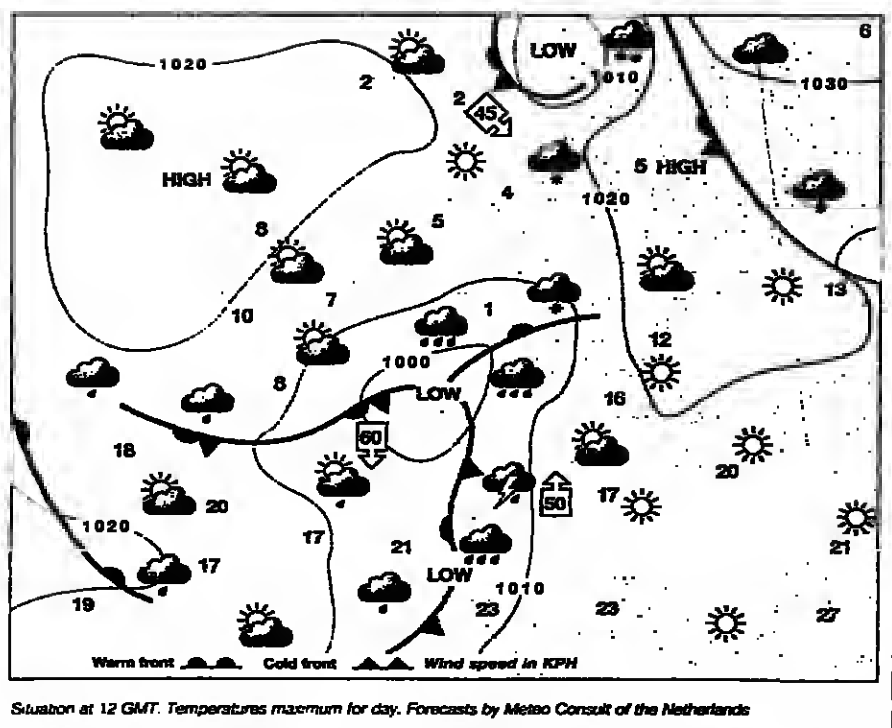
FT WEATHER GUIDE

Europe today

Most of Europe will have below average temperatures. Northerly winds will direct cold air from northern Europe into most of the continent. It will remain fair with considerable sun from southern Norway and Sweden to the British Isles, the Benelux, northern France and Germany. In spite of the bright sun, it will remain chilly with temperatures below 10C. A low will influence conditions south of the Alps. Italy, southern Switzerland and Austria will be cloudy with prolonged periods of heavy rain. There will be snow above 1,000 metres in the Alps and above 1,500 metres in Italy with even some thunder showers. The former Yugoslavia will have plenty of rain but Greece will stay dry and rather sunny.

Five-day forecast

North-western regions will remain rather calm and mostly sunny with a gradual increase in temperatures. Clear skies may still bring night frost. The low over southern Europe will slowly move east causing widespread rain in Greece and Turkey later this week. The rest of southern Europe will stay rather unsettled with showers at times. It will also remain chilly with temperatures below 20C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
			Beijing	fair	15	Caracas	fair	30	Faro	sun	19	Madrid	shower	15	Rangoon	sun	36
			Belfast	fair	9	Cardiff	hail	8	Frankfurt	fair	7	Majorca	fair	18	Reykjavik	fair	2
Abu Dhabi	sun	32	Belgrade	rain	16	Casablanca	fair	18	Geneva	fair	9	Malta	fair	20	Rio	fair	30
Accra	shower	33	Berlin	fair	5	Chicago	shower	8	Gibraltar	sun	19	Manchester	fair	8	Rome	thund	17
Algiers	shower	19	Bermuda	rain	20	Cologne	fair	8	Glasgow	fair	8	Manila	fair	32	S. Frsco	fair	19
Amsterdam	fair	6	Bogota	cloudy	18	Dakar	sun	26	Hamburg	fair	5	Melbourne	cloudy	19	Seoul	fair	9
Athens	sun	17	Bombay	sun	33	Dallas	sun	25	Helsinki	snow	-1	Mexico City	sun	23	Singapore	shower	31
Atlanta	sun	21	Brussels	fair	8	Delhi	sun	30	Hong Kong	cloudy	21	Miami	sun	26	Stockholm	sun	3
B. Aires	shower	27	Budapest	rain	5	Dubai	sun	30	Honolulu	cloudy	29	Milan	rain	12	Strasbourg	fair	8
B.ham	fair	7	C.hagen	fair	4	Dublin	sun	9	Istanbul	sun	14	Montreal	fair	2	Sydney	sun	24
Bangkok	fair	38	Cairo	sun	27	Dubrovnik	thund	15	Jakarta	cloudy	32	Moscow	fair	5	Tangier	sun	18
Barcelona	fair	16	Cape Town	sun	26	Edinburgh	fair	7	Jersey	fair	9	Munich	snow	3	Tel Aviv	sun	23
									Karachi	sun	34	Nairobi	shower	28	Tokyo	fair	15
									Kuwait	fair	30	Naples	rain	16	Toronto	fair	4
									L. Angeles	sun	22	Nassau	fair	27	Vancouver	rain	11
									Las Palmas	fair	22	New York	fair	8	Venice	rain	12
									Lima	fair	25	Nice	shower	15	Vienna	snow	2
									Lisbon	fair	18	Nicosia	sun	20	Warsaw	snow	4
									London	fair	8	Oslo	fair	3	Washington	fair	11
									Lux.bourg	fair	6	Paris	fair	8	Wellington	fair	17
									Lyon	sun	8	Perth	sun	30	Winnipeg	snow	0
									Madeira	fair	21	Prague	cloudy	4	Zurich	cloudy	7

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday April 2 1996

IN BRIEF

Dresdner Bank reports 17% rise

Dresdner Bank, Germany's second-largest commercial bank, forecast further improvement this year after raising net profits in 1995 by 17 per cent to DM1.2bn ($812.8m). Mr Jürgen Sarrazin, chairman, said Kleinwort Benson, the UK investment bank bought last year for £1bn ($1.53bn), was contributing well. Page 16

La Générale held to 10% improvement
Société Générale de Belgique, Belgium's largest holding company, increased net profits before exceptional items in 1995 for the fourth successive year, but fell slightly short of expectations as it reported a 10 per cent rise to BFr9.97bn ($328m). Page 16

Nokia to close German TV operations
Nokia, the Finnish telecommunications group, is to close its television manufacturing operation in Germany with the loss of 1,200 jobs. Page 16

GM and EDS agree terms for split-up

EDS, the US computer services consultancy, has agreed terms for its split from General Motors, including a $500m cash payment to GM. But EDS warned that the 10-year service agreement it had signed with GM could eat into its future profit margins. Mr Les Alberthal (left), EDS chairman, said the new terms of the GM contract – the largest agreement of its kind – in part reflected the fact that "prices have come down in certain areas" for computer consulting generally. Page 19

Scitex directors meet after hostile offer
The board of Scitex Corporation, an Israeli-based manufacturer of printing and video products, was due to hold an emergency meeting last night after Mr Davidi Gilo, a US-based entrepreneur, launched a hostile takeover approach valuing the company at $556m. Page 20

Burmah damps talk of share buy-back
Burmah Castrol, the UK lubricants, chemicals and fuels group, moved to damp speculation of an imminent share buy-back as it unveiled pre-tax profits up from £219.5m to £253m. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Alcatel	483	+	16.1
Rises				Docks France	929	+	27
[illegible]	[illegible]	+	21	Promodès	1351	+	38
[illegible]	[illegible]	+	[illegible]	Seb SA	606	+	14
[illegible]	[illegible]	+	[illegible]	Falls			
Falls				Valeo	280.1	-	7.4
[illegible]	[illegible]	-	10.5	TOKYO (Yen)			
[illegible]	[illegible]	-	3.9	Rises			
[illegible]	[illegible]	-	[illegible]	[illegible]	1480	+	100
NEW YORK ($)				[illegible]	761	+	56
Rises				[illegible]	880	+	25
[illegible]	[illegible]	+	[illegible]	[illegible]	633	+	31
[illegible]	[illegible]	+	[illegible]	[illegible]	620	+	29
[illegible]	[illegible]	+	[illegible]	Falls			
Falls				[illegible]	430	-	14
[illegible]	[illegible]	-	[illegible]	HONG KONG (HK$)			
[illegible]	[illegible]	-	[illegible]	Rises			
LONDON (Pence)				[illegible]	4.325	+	0.42
Rises				Falls			
[illegible]	[illegible]	+	14	[illegible]	3.525	-	0.15
[illegible]	[illegible]	+	15	[illegible]	3.075	-	0.15
[illegible]	[illegible]	+	16	Falls			
[illegible]	[illegible]	+	[illegible]	[illegible]	7.5	-	0.5
TORONTO (C$)				[illegible]	18.8	-	1.1
Rises				[illegible]	8.6	-	0.35
[illegible]	[illegible]	+	[illegible]	BANGKOK (Baht)			
[illegible]	[illegible]	+	[illegible]	Rises			
Falls				[illegible]	68.25	+	5.0
[illegible]	[illegible]	+	[illegible]	[illegible]	75.0	+	5.0
[illegible]	[illegible]	-	[illegible]	[illegible]	41.5	+	3.0
[illegible]	[illegible]	-	[illegible]	Falls			
[illegible]	[illegible]	-	[illegible]	[illegible]	73.0	-	3.75
[illegible]	[illegible]	-	[illegible]	[illegible]	73.0	-	10.0
[illegible]	[illegible]	-	14	[illegible]	27.0	-	3.5

New York and Toronto prices at 11.30am.

Aetna and US Healthcare to merge

By Lisa Bransten in New York

Aetna, one of the US's largest publicly-traded insurance groups, is to buy US Healthcare, a managed healthcare concern, in a cash and stock deal valued yesterday at $8.9bn.

The deal is among the biggest in a wave of consolidation that has taken place in the healthcare sector since early last year, and reflects the growing importance of managed care companies, known as Health Maintenance Organisations (HMOs) in the US healthcare industry.

It also points to a growing convergence between managed care groups and traditional health insurers, reflecting a move to offer large companies and other big buyers of healthcare services a full range of insurance policies.

Last year United Healthcare, the largest HMO in the US, purchased MetraHealth – a joint venture between Metropolitan Life and Travelers Group – in order to offer similar choices to its members.

Aetna announced its intention to acquire an HMO late last year, after raising $4bn from the sale of its property and liability insurance businesses. The announcement contributed to a resurgence in the share prices of several medium-sized HMOs, which had been under pressure as profit margins in the industry have fallen.

The value of yesterday's deal surprised some analysts. In early trading, shares of Aetna fell $2⅝ to $73⅜, while US Healthcare jumped $6⅞ to $52⅞. Shares in PacifiCare Health Systems, a smaller HMO that was considered among the most likely choices for Aetna, fell $2¼ to $79⅜.

The merger creates a company which provides health insurance to 23m people, 11m of them in managed care arrangements, and which would have had $16.6bn in revenues last year. Since the start of the decade, total US HMO enrolments has increased 50 per cent to an estimated 50m people and is expected to rise to 66m by next year.

Mr Gary Frazier, analyst at Bear Stearns, said the deal failed to bring Aetna a presence in areas of the US, including California and the Rocky Mountain states, and would not give it a strong management team to expand its managed care business.

However, Mr Ronald Compton, Aetna's chairman, said the merged company would have "the premier management team in the business". Also, according to the Aetna camp, US Healthcare would bring a greater presence in the north and south-east.

Mr Leonard Abramson will step down as chief executive of US healthcare, but will serve as a director of Aetna.

Aetna said US Healthcare had a proven ability to keep medical costs low. Last year, US Healthcare experienced a rise in its medical loss ratio – the proportion of its premiums that it pays out in medical costs – but still turned in figures below the industry average.

The deal is expected to be completed in the third quarter of this year and is all but assured because Mr Abramson, the controlling shareholder of US Healthcare, has agreed to vote for the merger.

Issue puts SKr36bn value on Scania

By Hugh Carnegy in Stockholm

Scania, the Swedish truckmaker, was valued at SKr36bn ($5.38bn) yesterday when it was launched on the Stockholm and New York stock exchanges at SKr180 a share, near the top of the pricing range set for the 50 per cent stake in the company being sold by the Wallenberg industrial empire.

Investor, the Wallenberg holding company which has owned 100 per cent of Scania, said the initial public offering – one of the biggest ever of its kind – was three-times oversubscribed, triggering the sale of a 5 per cent over-allotment tranche of shares. The issue will raise SKr19.8bn in total for Investor.

Analysts said there was limited scope for big short-term gains from the issue, for which Investor had set a price range of SKr155-SKr185. But Scania shares jumped to SKr186 when trading opened in Stockholm yesterday and closed at SKr183.50.

However, Investor's most-traded B-share tumbled SKr7.00 to close at SKr267 after rising significantly in recent weeks. The reaction at least initially belied the company's hope that the Scania issue would help reduce its tendency to trade at a heavy discount to its net asset value.

Adjusted to take account of Scania's new valuation, Investor's total net worth at the end of 1995 would have been SKr74.6bn, or close to SKr375 per share.

Investor will follow the initial public offering with an offer of a further 20 per cent of the capital of Scania to its shareholders at the IPO offer price in the form of three-year warrants, lowering its own stake to 25 per cent.

But Investor will continue to hold 40 per cent of the voting stock in Scania through the splitting of the shares into A and B classes. A-shares will carry one vote – while B-shares will carry one-tenth of a vote.

Scania became the seventh largest company on the Stockholm bourse and is the first Swedish group to be listed on the NYSE. It is the most profitable company in its sector in the world, achieving an operating margin last year of more than 15 per cent.

Investor said 45 per cent of the IPO went to Nordic investors, 25 per cent was taken up by US institutions, 20 per cent by the UK and 10 per cent elsewhere. Morgan Stanley, Enskilda Securities and SBC Warburg handled the issue.

Ashanti acquires gold producer

By Kenneth Gooding, Mining Correspondent

Ashanti Goldfields of Ghana, the mining company in which UK conglomerate Lonrho has a large stake, yesterday underlined its determination to retain its independence with a C$136m (US$100m) agreed offer for International Gold Resources of Toronto.

The deal comes only three months after Ashanti completed the £80m ($122m) friendly acquisition of Cluff Resources – like Ashanti a London-listed gold company with operations in Africa.

Ashanti is being stalked by Anglo American Corporation of South Africa which recently acquired 6 per cent of Lonrho. The UK group in turn owns 37 per cent of the Ghanaian group. Anglo paid £91m last month to buy the 6 per cent stake from Mr Dieter Bock, Lonrho's chief executive, who is to demerge the group's mining interests and says he is "not interested in mining". Anglo has first right of refusal on Mr Bock's remaining 18 per cent of Lonrho.

Analysts suggested yesterday that Ashanti's best defence against the unwelcome attentions of Anglo would be fast growth and a higher rating by North American investors.

IGR is quoted in Toronto and its main asset is the right to a 45 per cent operating interest in the proposed Bibiani gold mine in Ghana. Mr Stephen Dattels, IGR's chairman, expected this mine to start up within two years and to produce 250,000 troy ounces of gold annually in the early years. Output would settle at 200,000 ounces at a cash cost of about $180 an ounce.

However, Mr Dattels said the main benefit of the proposed merger for IGR shareholders was that "they can acquire Ashanti shares and Ashanti is one of the most undervalued senior gold producers today".

Ashanti gained a New York Stock Exchange quote in February and on Friday was listed in Toronto.

Subject to various approvals and due diligence by Ashanti, IGR shareholders are to be offered 0.175 of an Ashanti global depositary security and 90 Canadian cents cash for each share. This values each IGR share at C$6.85.

Ashanti buy-out, Page 24

Thyssen considers split into three listed businesses

By Michael Lindemann in Bonn

Thyssen, the German conglomerate and one of Germany's biggest companies by sales, is considering splitting into three separately listed companies, a highly unusual move for a German group.

Mr Heinz Kriwet, head of the company's 21-strong supervisory board and until two weeks ago chief executive, said Thyssen was reviewing the possibility of such a demerger – into steel, engineering, and trading and services groups – which could happen within four years.

He said shareholders were increasingly wanting to know whether Thyssen's parts were worth more separately than within a conglomerate or *Konzern*, a model traditionally favoured by German groups.

Mr Kriwet acknowledged that synergies could come from bundling companies together in a construction which could "optimise tax liabilities". However, the company said there were no overriding tax reasons for keeping the *Konzern* together.

Mr Kriwet said it was also unclear to what extent cyclical industries such as steel and engineering – which make up two of Thyssen's three divisions – could survive bad patches alone.

"I don't have any particular ideas nor do I have a wish about the conclusion that should be reached after the review," Mr Kriwet said in an interview with Sueddeutsche Zeitung, the German newspaper. "But the question has to be answered. And it will be answered."

Heinz Kriwet: demerger review

Mr Kriwet's comments are likely to perturb Mr Dieter Vogel, who took over as Thyssen's chief executive just 10 days ago and who said in a recent interview with the Financial Times that the group was not about to undertake sweeping changes because of what he called Thyssen's "history, its culture. I won't produce any crazy new trends," he said.

However, Mr Vogel, as head of Thyssen Handelsunion, the trading and services division, showed it was capable of raising its own capital, to fund an expansion into telecoms. He raised DM1bn last November by selling stakes in the telecoms subsidiary.

Thyssen's problem is one concentrating minds in boardrooms across Germany. Another conglomerate likely to be asking itself similar questions is Veba, where executives admit the share price is discounted by up to 40 per cent because of its "conglomerate discount".

After a rapid rise, Direct Line faces a big slump in profits

Growing pains set in at UK insurer

Has the darling of the UK insurance sector grown up and lost its charm? After 11 years of explosive growth, Direct Line, the telephone-based motor and household insurer, saw the shares of its parent, Royal Bank of Scotland, fall 7 per cent last week.

The cause was the realisation that profits at Direct Line – which has provided a model for telephone-based insurers across Europe – are likely to fall sharply this year.

Royal Bank appears to have done little to dissuade the market that severe winter weather and fierce price competition have taken their toll on Direct Line.

Credit Lyonnais Laing is forecasting that the insurer's pre-tax profits for the year to September will fall to £45m ($68.4m) from £112m. Others reckon the full-year figure will be even lower.

It is remarkable turnround for a company which over the past decade has transformed the UK personal insurance market by cutting out brokers to sell motor and household insurance direct to customers.

Direct Line is now the UK's largest private motor insurer, covering more than 2m motorists. If the going is heavy for Direct Line, other, less efficient, insurers will be finding life even tougher.

Many of Direct Line's UK rivals have now adopted its methods, investing large sums in telephone-based operations. Meanwhile, brokers have cut costs by using information technology. The result has been a fierce price war over the past 18 months which has seen average rates fall by as much as 10 per cent.

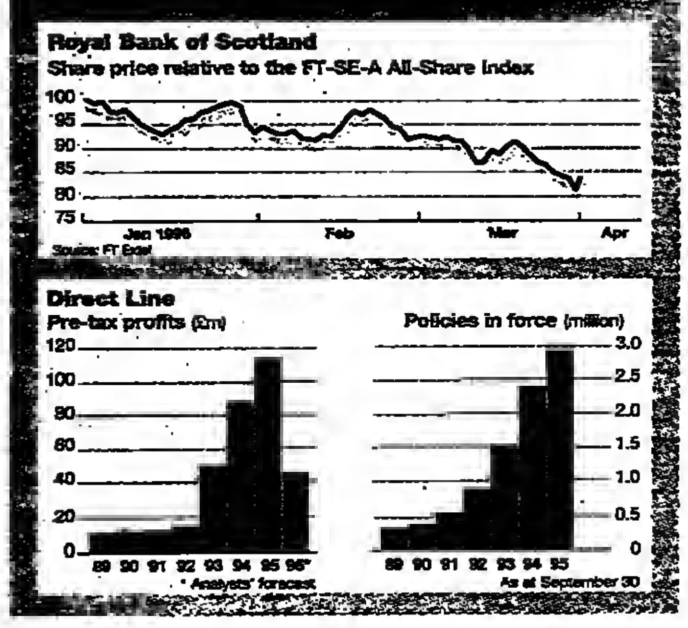
Mr Peter Wood, Direct Line's founder and chief executive, warned in December that Direct Line would if necessary sacrifice profits to protect market share. "We're not going to give up our market share position and if that means profits reducing in the next year or so, so be it," he said.

He could act from a position of strength: Direct Line has one of the lowest operating ratios – claims plus expenses as a percentage of policy premiums – in the motor sector.

"It is a great company," says one analyst. "Its franchise in the UK motor market is more or less unassailable."

In the year to last September, the operating ratio for motor had risen to 88 per cent. More recently, it is thought to have been nearer 100 or above, leaving Direct Line relying on investment income from policy premiums to generate profits.

On top of price competition, Direct Line has had to cope with severe winter weather that has eroded profits of all UK insurers.



General Accident and Royal Insurance have said December's freeze alone cost them each £40m.

Direct Line is skewed towards motor but road accidents also increase in bad weather. Further bad spells followed in January and February and the extra claims will be reflected in figures for the six months to March, due to be published in early May.

Mr Steve Clarke, finance director, says: "What we are seeing is nothing unique to us. It is an industry-wide problem."

Direct Line has looked for other growth opportunities. It is seeking acquisitions and has a long-running strategy of diversification: first, into home insurance, more recently into other financial products such as mortgages, loans, life insurance and savings products.

But the group has yet to prove it can find a formula that will produce the dramatic profits growth achieved in motor. During initial stages of product development, Direct Line has concentrated on selling only to existing customers, slowing expansion. Some of the new products are making losses. Certainly there will be no strong profits growth to compensate for the downturn in motor.

Mr Steven Bird, analyst at Merrill Lynch, says: "I'm sure that they were hoping that by this time, the homeowners' account would be really kicking in as a major contribution to profits. It is not. They have not been able to pick up the market share that they were hoping for two years ago."

Direct Line has expanded overseas, announcing a joint venture with Bankinter, the Spanish bank, in November 1994 and launching Linea Directa Aseguradora last summer. Again, profits will take time to feed through: Direct Line took three years before it started making money.

As Direct Line matures into a broadly spread financial services company, speculation may grow about Royal Bank floating off its subsidiary.

This seems unlikely. Direct Line is still earning good returns for its parent. And UK banks are generally suffering from too much spare capital and are not anxious to raise funds.

Direct Line may have grown up, but it has not been thrown out of home.

Ralph Atkins

La Générale held to 10% improvement

By Neil Buckley in Brussels

Société Générale de Belgique, Belgium's largest holding company, lifted net profits before exceptional items last year for the fourth successive year. However, it fell slightly short of expectations, as it reported a 10 per cent rise from BFr9.05bn to BFr9.97bn ($326m).

Including an exceptional gain, of BFr1.96bn, on business disposals in 1994, and a net exceptional loss last year of BFr771m – blamed largely on restructuring costs in the Union Minière mining and metals business – net profits at the group, which owns stakes in some of Belgium's largest companies, fell from BFr11.01bn to BFr9.20bn.

Mr Philippe Liotier, appointed from France's Compagnie de Suez – which owns 62.6 per cent of La Générale – to succeed Mr Gérard Mestrallet as chief executive last year, said the underlying profits improvement reflected the success of the group's businesses in reinforcing positions at home and developing abroad.

But the results were squeezed by the strength of the Belgian franc against the dollar, and by sharp increases in raw materials prices.

The price rises were particularly evident at Recticel, the polyurethane foams maker, where a 40 per cent increase in materials costs helped drag its contribution from BFr373m last time into a BFr313m loss. This was despite improved results from its expanding east European activities.

But the group's other main businesses all increased their profit contributions. Tractebel, the energy and engineering company, raised its contribution from BFr3.2bn to BFr3.59bn, mainly because of rapid growth in its energy operations outside Belgium. Générale de Banque, Belgium's largest bank, lifted its contribution from BFr3.88bn to BFr4.18bn. It attributed this to growth in overseas and domestic banking, as well as the extension of its financial services.

Union Minière lifted its contribution before exceptional costs from BFr337m to BFr701m. Fortis, the insurance group, was said to have improved on last year's BFr1.82bn.

Losses in SGB's other businesses and wholly-owned subsidiaries fell from BFr641m to BFr731m. The results were also boosted by first-time consolidation of CofiCemSagem, the electronics group in which La Générale increased its stake to 20 per cent last year.

The board is proposing to increase the net dividend from BFr85 to BFr87 a share.

Dresdner Bank upbeat after 17% rise for year

By Andrew Fisher in Frankfurt

Dresdner Bank, Germany's second-largest commercial bank, forecast further improvement this year after raising net profits in 1995 by 17 per cent to DM1.2bn ($812.8m).

Mr Jürgen Sarrazin, chairman, said yesterday: "Dresdner Bank has been quick off the starting block in 1996. We are confident that the year will develop favourably."

He said Kleinwort Benson, the UK investment bank bought last year for £1bn ($1.53bn), was contributing well to the group's performance. But while the integration of Kleinwort's activities was going well, Mr Sarrazin gave no details of planned investments or profits goals on the investment banking side.

Deutsche Bank said last week such investments would total DM700m this year after DM400m in 1995; the eventual aim is for the sector to contribute a third of earnings.

Like its German rivals, Dresdner disclosed more information about its activities as part of the trend towards more transparency for shareholders.

Hidden reserves totalled DM9.4bn (compared with Deutsche Bank's DM20bn), representing the difference between quoted investments' book and market value. Including property and other holdings, the figure exceeded DM17bn.

Mr Sarrazin said Dresdner had no plans to open a direct bank along the lines of its competitors, but did not totally exclude such a move.

Dresdner had the technology to start a separate direct bank at any time, he said. However, he did not think adequate returns could now be earned. Commerzbank and Deutsche Bank have Comdirect and Bank 24 as their respective direct banking operations, while Bayerische Vereinsbank has recently started up Advance Bank.

Mr Sarrazin said operating profits had risen 22 per cent to DM1.99bn, with most of the growth coming from foreign operations. Without the consolidation of Kleinwort Benson for the last quarter, the rise would have been 18 per cent.

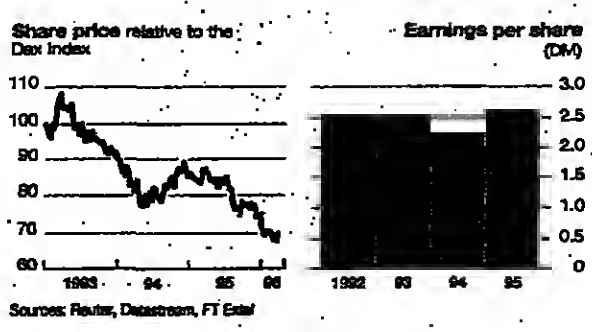
Interest income was 2 per cent lower at DM6.3bn. The commission surplus was 1.7 per cent higher at DM3bn, but would have been 7 per cent lower without Kleinwort.

The bank's earnings performance was helped by a 45 per cent decline in risk provisions to DM681m. Mr Sarrazin attributed this to the absence of securities portfolio write-downs compared with 1994, when the bond market was in poor shape.

COMPANY PROFILE:
Dresdner Bank

Market capitalisation	$11.87bn
Main listing	Frankfurt
Historic P/E	15.49
Gross yield	3.42%
Earnings per share	DM 2.64
Current share price	DM 38.6

Jürgen Sarrazin chairman



Sources: Reuter, Datastream, FT Extel

Thomson holding company reduces deficit

By David Buchan in Paris

Thomson SA, the state-owned holding company that controls the Thomson electronics empire, yesterday reported a loss of FFr1.37bn ($198m) for 1995 against a loss of FFr2.16bn the previous year. The announcement came as the Lagardère group publicly reaffirmed its interest in playing a large part in this year's planned privatisation of Thomson.

Mr Noel Forgeard, head of the Matra Defence-Space division of Lagardère, clearly indicated be was most interested in the Thomson-CSF defence electronics company, but confirmed that any bid by Lagardère would be "in the context of a global privatisation" fixed by the French government. Last week, Mr Serge Tchuruk, president of Alcatel, also expressed interest in Thomson's privatisation.

The Thomson SA holding company was able to reduce its loss chiefly because the state rescue of Crédit Lyonnais relieved it of all except a minor FFr35m risk provision for the 20 per cent it holds in the bank.

This same rescue plan helped Thomson-CSF swing from a FFr962m loss in 1994 to a FFr1.01bn profit last year, but only just over half of this profit accrued to Thomson SA because 42 per cent of Thomson-CSF is held publicly. However, the holding company owns 100 per cent of Thomson Multimedia, the TV and consumer electronics company whose losses deepened from FFr596 in 1994 to FFr1.09bn last year. Thomson SA also carries FFr9.2bn worth of debt, mainly incurred on Multimedia's behalf, and this boosted the holding company's financial charges from FFr1.3bn in 1994 to FFr1.7bn last year.

The government has asked Mr Marcel Roulet, the new head of Thomson, to work out ways of privatising Thomson-CSF and Thomson Multimedia as a whole.

At a press conference called to announce a new satellite order for Matra's joint venture with GEC of the UK, Mr Forgeard described as "rash" claims that there was any natural synergy between the two halves of Thomson.

Nokia to close TV operations in Germany

By Hugh Carnegy in Stockholm

Nokia, the Finnish telecommunications group, is to close its television manufacturing operation in Germany with the loss of 1,200 jobs as part of its withdrawal from a business which has cost it more than FM2bn ($432m) in losses since 1988.

Losses in TV production have been disguised in recent years by Nokia's rapid development into a highly profitable telecoms company, becoming the world's second largest maker of mobile telephones. But a slowdown in profits from mobile telephony since late 1995 has exposed the extent to which Nokia was also burdened by its TV losses.

Nokia said yesterday it had proved impossible to sell its TV manufacturing business, which incurred losses of FM350m last year, including the facilities in Germany which produced 1m units a year, the bulk of Nokia production. It had therefore decided to close its factory in Bochum, employing 900, and its components plant in Ziemetshausen, with staff of 300.

Mr Tapio Hintikka, head of Nokia's general products division, declined to reveal the cost of the closures. But he said it would be fully covered by a provision of FM2.3bn already taken by Nokia in 1995 to cover its withdrawal from TV operations.

Investors continue to be worried about Nokia's future, however, following a warning in February that first-half profits would be well below 1995 levels because of falling prices and bottlenecks in mobile telephone operations, and problems in consumer electronics. Nokia's A shares fell FM2.50 yesterday to close at FM159, continuing their recent weak trend.

Mr Hintikka said the German operations had suffered from 30 per cent overcapacity in the global TV market and the strength of the D-Mark against markets such as Sweden and Italy.

NEWS DIGEST

Hypo-bank opens year on strong note

Bayerische Hypotheken- und Wechsel-Bank lifted operating profits sharply in the first two months of this year as a result of buoyant mortgage and commission business and a curb on costs, Mr Eberhard Martini, chairman, said yesterday. Profits rose sharply in all its operating areas, he added. In 1995, operating profits after risk provisions rose 17 per cent to DM1.3bn ($758.8m) and net income by 30 per cent to DM676m.

Mr Martini said that before administrative costs and investments, profits had advanced more than 10 per cent so far this year. Because most loan risks had been accounted for in the 1995 results, the two-month profits after loan loss provisions rose even more steeply, he said.

● BHF-Bank said operating profits rose 8 per cent last year to DM377m, with net income up 6 per cent to DM187m. It is paying an unchanged dividend of DM1.45 a share.

Andrew Fisher, Frankfurt

Telefónica to sell Sintel unit

Telefónica, the Spanish telecommunications group, has agreed to sell an installation and engineering subsidiary, Sintel, to MasTec of the US for Pta4.9bn ($39.5m). It said the sale was part of its long-term policy of divesting holdings in industrial companies. Restructuring costs in Sintel pushed the unit into a Pta1.75bn loss last year, although operating profits rose 87 per cent to Pta4.04bn on turnover 13 per cent higher at Pta48.7bn.

David White, Madrid

Stet forecasts sharp rise

Stet, Italy's state-controlled telecommunications holding company, yesterday estimated its net consolidated profit for 1995 would exceed L2,400bn ($1.53bn) against L1,901bn in 1994. Net debt had been cut by L3,000bn. The parent company said it expected to report a net profit of L1,100bn. *Andrew Hill, Milan*

St Gobain predicts advance

Saint Gobain, the French glass and construction materials group, should this year raise net profit above its 1995 level of FFr4.21bn, Mr Jean-Louis Beffa, chairman, predicted yesterday, because of an expected upswing later this year. The group is to raise its dividend by 6.5 per cent to FFr16.50 a share.

David Buchan, Paris

Fiat turnover 12% ahead

Fiat, the Italian automotive and industrial group, increased turnover by 12 per cent in the first two months of 1996. Car deliveries in Europe increased 19.8 per cent compared with the first two months of 1995, and industrial vehicle sales 10.1 per cent.

Andrew Hill

Reverse at Oerlikon-Buehrle

Oerlikon-Buehrle, the Swiss weapons and engineering group, posted 1995 net profits of SFr4m ($3.36m) against SFr75m in 1994. The group again omitted its dividend. Operating profits fell from SFr194m to SFr139m, while net debt was SFr1.27bn against SFr1.24bn.

AFX News, Zurich

Autogrill registers growth

Autogrill, the Italian catering group majority-owned by Benetton, posted 1995 net profit of L43.7bn against L35.8bn in 1994. Sales rose from L1,392bn to L1,612bn. *AFX News, Milan*

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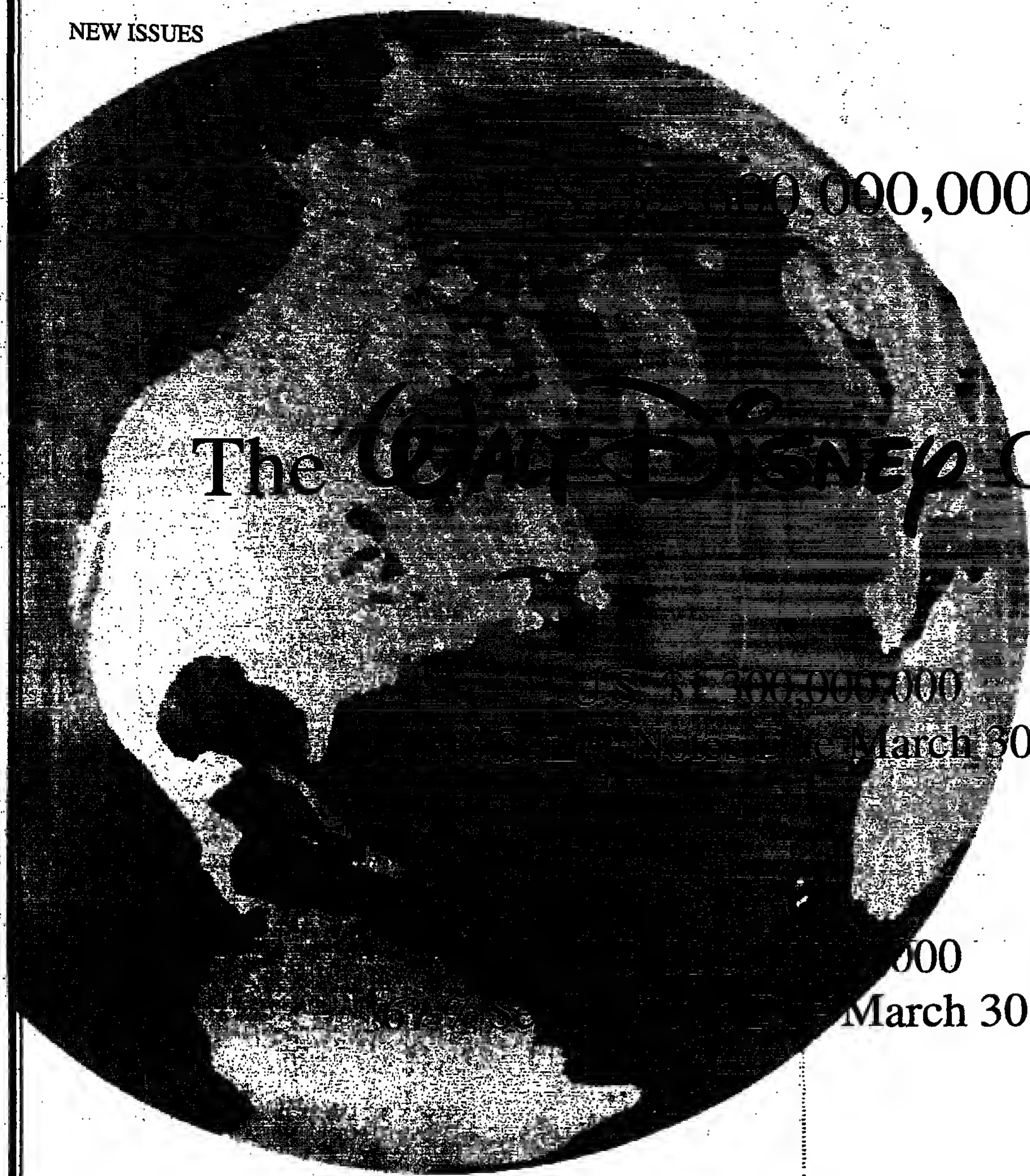
All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUES

March 27, 1996



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The Walt Disney Company

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Notes Due March 30, 2001

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March 30, 2006

CS First Boston

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Deutsche Morgan Grenfell

Goldman, Sachs & Co.

Lehman Brothers

J.P. Morgan Securities Ltd.

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SBC Warburg A DIVISION OF SWISS BANK CORPORATION

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The activities of the Underwriters in connection with this offering were led jointly by CS First Boston Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Producers size up potential of the new tiny cars

The popularity of sub-compacts such as Renault's Twingo may reflect more than a passing fad

Douhters of the commercial poteotial of sub-compact cars need look nn furtber than to the four geodarmes patrolling the plush sixth *nrrondissement* of Paris in their tiny Renault Twingo.

Sub-compacts, such as the pint-sized Twingo and Fiat's spatially-challenged Cinqueceuto, have had a much bigger impact on the European car market since their launch in the early 1990s than their modest volumes might suggest.

Although some carmakers have produced suh-compacts almost non-stop since the first vebicles appeared in cash-strapped Europe after the second world war, it was the Twingo and second-generation Cinquecento that made the market take off.

Renault has sold nearly 700,000 Twingos since its introduction in March 1993. Sales amounted to almost 250,000 units last year. Total sale of the Cinqueceuto, meanwhile, have reached about 680.000 since 1991. Like the Twingo, Cinquecento production has risen steadily, reaching more than 204,000 last year.

The cars' success is prompting others to follow suit, despite earlier reservations that suh-compacts were a fad. The renewed interest stems from the search for pockets of demand in a market which is barely growing. Sales of new cars in Europe rose just 0.6 per cent last year. "As the European market nears saturation, manufacturers need to find new niches," says Mr Peter Schmidt of AID, a car industry consultancy

Ford, General Motors and Volkswagen all have suh-compacts in the wings. Ford's Ka should be unveiled around September. The Ka will be followed by a truncated version of GM's Corsa. GM whetted the market's appetite at last month's Geneva motor show by unveiling a compact, Austrian-huilt three-cylinder engine which will power the new model.

Volkswagen, Europe's biggest car company, is also believed to have a sub-compact up its sleeve.

Manufacturers' interest in sub-compacts has been boosted hy marketing studies which suggest demand is higger than expected. Some may have taken heart from Japan, where sales of "midget" cars with puny motors and almost equally small bodies remain buoyant despite regular predictions of their demise.

Research also suggests Europe's motorists are becoming more concerned about value for money, while better information means "many are increasingly aware that cars in Europe are expensive compared with the US and Japan", says Mr Schmidt.

Women offer the biggest untapped potential. Research suggests that in most European families with two cars, the second vehicle – usually driven by the wife – is second-hand. Many female partners would prefer a new car if they could afford it.

The momsntum of sub-compacts has also been carried by new manufacturing technologies which have made such small vehicles profitable. Most manufacturers have also saved money by developing their sub-compacts from existing models.

But many analysts doubt the long-term potential of the sub-compact market. "The market for sub-compacts is riddled with contradictions," says Mr Ian Robertson, director of the automotive group at the Economist Intelligence Unit. He argues that some manufacturers are still uncertain whether to treat sub-compacts as cheap transport for the masses – with an eye to expanding into eastern Europe – or as a prestige lifestyle prodnct for the wealthy.

There is, however, a joker in the pack. Demand for sub-compacts could expand beyond recognition if Europe's lawmakers ever decide to attack pollution by limiting the engine capacity or size of vehicles.

Tougher environmental standards could fuel a boom in sub-compacts. The Smart, a multi-fuel sub-compact being developed by Mercedes-Benz and Switzerland's SMH, is partly banking on harsher environmental standards to create demand. But Mr Louis Bailoni, analyst at consultants A. T. Kearney, warns that pollution policy could cut both ways. "So much depends on how tha rules are framed," he says. "What if you penalise ownership, rather than usage. Which would you rather give up: the family car or the sub-compact?"

Haig Simonian

Sub-compacts: a boost for stuttering markets

Renault Twingo — Ford Ka

Western Europe: production of cars to 2000¹ ('000)

	1994	1995	1996	1997	1998	1999	2000
Belgium	350	340	360	340	320	350	340
France	3,166	3,200	3,280	3,330	3,150	3,070	3,030
Germany	4,094	4,250	4,400	4,350	4,264	4,219	4,159
Italy	1,250	1,300	1,325	1,280	1,250	1,200	1,175
Netherlands	90	100	130	130	130	142	150
Spain	1,800	1,900	1,990	1,950	1,850	1,800	1,750
Sweden	330	350	350	330	320	300	295
UK	1,403	1,500	1,540	1,562	1,660	1,775	1,875
TOTAL	12,482	12,940	13,365	13,272	12,944	12,858	12,774

¹ 1994 figures for France and Germany provisional,others estimates. Remainder is a forecast.

Source: The Economist Intelligence Unit

NEWS DIGEST

Ebner to oppose new UBS chairman

Mr Martin Ebner, head of the Zurich-based BZ banking group, said he would oppose the election of Mr Robert Studer as chairman of Union Bank of Switzerland, the country's biggest bank. Mr Studer is now chief executive. Mr Ehner, whose BK Vision investment fund is UBS's largest shareholder, has beeo a fierce critic of the bank's management and performance. He is currently fighting a legal battle to stop UBS introducing a single bearer share structure.

There have been indications that a number of important UBS shareholders may support Mr Ehner at the bank's annual meeting on April 16. If Mr Studer were rejected, Mr Ebner said yesterday he would call for a special shareholders' meeting to decide the make-up of the UBS board.

However, if Mr Studer were elected chairman, the BZ group would have to consider its options, including the unwinding of its holdings in UBS. "One must remain open to anything", he said. Mr Ebner added that BK Vision had cut its holdings of UBS registered stock from 19.8 per cent at the end of 1995 to just over 5 per cent, buying bearer shares with the proceeds. This leaves BK Vision with about 5 per cent of UBS's capital.

The move has prompted speculation that the purchasers of the registered shares, which trade at a premium to bearer shares because of their higher voting weight, are preparing to support Mr Ebner's strategy for the bank. This would imply they hope to gain more from higher UBS profitability than they risk losing by a share unification. Mr Ehner wants UBS to cut its foreign credit exposure, reduce risky own-account trading activities, eliminate domestic overcapacity and put more emphasis on asset management.

Frances Williams, Geneva

OTE issue oversubscribed

The public issue of 8 per cent of OTE, the state-owned Greek telecoms monopoly, closed heavily over subscribed following unexpectedly strong demand from both retail investors and international institutions. National Bank of Greece, co-ordinator for the issue, said demand for shares totalled Dr550bn ($2.28bn), five times the offering size. When the Dr18bn foreign tranche was oversubscribed eight times, the government decided to increase the issue from 6 to 8 per cent and make the extra available to international investors.

In Greece, where OTE shares will start trading on April 19, about 160,000 small investors applied for shares, a total that gives the telecoms monopoly the biggest share register of any Greek company.

Kieran Hope, Athens

Italian publisher holds payout

Arnoldo Mondadori Editore, the Italian publisher, has proposed an unchanged dividend of L420 per ordinary share, and L440 for each savings share, after recording a drop in net consolidated profit of 24 per cent to L68.5bn ($43m), against L90.2bn in 1994.

Andrew Hill, Milan

Bulgari advances

Bulgari, the Italian jewellery and luxury goods company floated on the stock market last year, increased consolidated net profit 57 per cent to L39.5bn ($25m) in 1995, against L25.1ho the previous year. Ima, the packaging machinery group also floated last year, proposed a dividend of L200 a share, after reporting a net group profit of L20.4bn, against L14.2bn the previous year.

Andrew Hill

Sandvik in bid for Kanthal

Sandvik, the Swedish tools and specialty steels group, said it made a SKr1.4bn ($209m), or SKr120 a share, bid for Kanthal, a Swedish heating wire company. The offer price is SKr120 for each A share and B share, with a deduction for the dividend which will be paid to the Kanthal shareholders, Sandvik said. Sandvik said the offer represented a premium of 35 per cent to the current share price. The company said shareholders in Kanthal, representing about 32 per cent of the shares with about 23 per cent of the voting rights, have taken a positive attitude towards the offer. The offer was conditional on Sandvik acquiring more than 90 per cent of shares in Kanthal, it said.

AFX News, Stockholm

Sulzer disappoints

Sulzer, the Swiss engineering company, posted 1995 net profits of SFr92m ($77.28m) against SFr195m. The results were well below expectations and the shares fell SFr2 to SFr785. The group said its profits were halved because of exchange rates effects and extraordinary charges. The final divideod was cut from SFr20 to SFr12. Operating profits fell from SFr289m to SFr173m on sales from ongoing businesses up 2 per cent at SFr6.74bn.

Mr Christopher Chandiramani analyst at Swiss Volksbank, said all Sulzer units performed poorly in 1995, although he added that the net profit was probably most affected by provisions for a patent infringement suit by Stryker Corp against Sulzermedica.

AFX News, Winterthur

Banque Worms cuts losses

Banque Worms, the subsidiary of UAP, the French insurance group, made a net loss of FFr169m ($33.56m) in 1995, against a loss of FFr581m the previous year. Net banking income rose 6 per cent to FFr1.68bn last year.

AFX News, Paris

General Motors and EDS agree separation terms

By Richard Waters in New York

EDS, the US computer services consultancy, has agreed terms for its split-off from General Motors that the company warned could eat into its future profit margins.

The large consulting firm also agreed to pay $500m in cash to GM, a figure that was in line with market expectations, and announced a variety of charges stemming from its re-emergence as a separate company.

GM said last August it planned to shed EDS, which is now worth 10 times the $2.5bn price the motors group paid for it in the early-1980s.

EDS shares fell $2, or 3.5 per cent, in early trading after the warning on margins, which stemmed from a renegotiation of its contract to provide GM's computing functions.

That was one of the issues which had to be resolved as part of the agreement on the split-off, which was approved by the vehicle maker's board late on Sunday but still requires approval by holders of all three classes of GM's stock.

EDS, which last year relied on its parent for 31 per cent of its revenues, said that revenues from the relationship would fall "slightly" this year. That will reduce the former subsidiary's earnings per share by between 7 and 14 cents this year.

It added it could not assess the long-term effect of the 10-year service agreement it had signed with GM, but added that its terms "may have an adverse impact on EDS operating margins unless EDS is able to achieve reductions in the costs of providing services to GM".

Mr Les Alberthal, EDS chairman, said the new terms of the GM contract – the largest agreement of its kind – in part reflected the fact that "prices have come down in certain areas" for computer consulting generally.

The consulting firm announced a range of other charges yesterday, which it predicted would lead to total one-off charges equivalent to between 81 cents and $1.21 a share this year, or $392m to $586m.

The biggest of these is a pre-tax charge of $500 to $750m, or 88 cents to 99 cents a share after tax, to cover an early retirement programme and asset write-downs.

These actions could lead to as many as 3,800 early retirements.

GM, meanwhile, has had to make some complex trade-offs with the terms of the split-off. While intent on lowering its costs, as a recent 17-day strike in the US demonstrated, the group will retain an interest in EDS's future profits through the 150m shares held by its pension fund.

Microsoft announces move to instant start-up computers

Microsoft, the US software group, has announced a broad industry initiative to create personal computers that are instantly ready to operate, Reuter reports from California.

The company said the OnNow standard will allow personal computers to turn on instantly like video cassette recorders or televisions, eliminating the time-consuming process of loading software programs each time a personal computer is started.

In addition, OnNow will allow PCs to respond automatically to incoming faxes, voice mail and electronic mail even when the computers appear to be turned off.

Backers for the OnNow specifications include Compaq, Hewlett-Packard, Intel, Phoenix Technologies and Toshiba's Toshiba America Information Systems.

"Users are demanding that PCs become more convenient to access and use," said Mr Jim Allchin, a Microsoft senior vice-president. "They want their PC to be instantly available to answer the phone, display new e-mail, browse the Internet or run an application."

Microsoft said OnNow specifications would be incorporated in future releases of Microsoft's Windows 95 and Windows NT operating systems.

OnNow improves upon current PC power management systems by enabling the operating system to play a central role. Software applications, the computer and peripheral devices can participate in power management, and OnNow delivers a standard way to implement power management across all PC platforms.

OnNow is designed for a broad range of PCs, not just the notebook computers for which current power management systems are designed as a means of preserving battery life.

● Microsoft will announce today it has begun shipping its Exchange program, the company's challenger to IBM's Lotus Notes, Reuter adds from New York.

The program conveys documents from one computer user to another within a computer network. Electronic Data Systems is expected to announce it will adopt the program for use by its 68,000 employees worldwide.

Mexico gives way to nationalistic pressure

A change of foreign ownership rules threatens the country's privatisation process

Mexico, which is eagerly courting foreign investors, has just committed the equivalent of an amorous faux-pas which is regarded as ominous for the country's privatisation process.

The faux-pas is in the shape of a decision to restrict foreign participation in the privatisation of the state-owned petrochemical industry.

The move has discouraged foreign interest, and revenues from the privatisation exercise are now expected to fall below the government's original $1.5bn estimate. The decision could also slow the transfer of technology and investment to the industry.

At stake are 61 ageing petrochemical plants belonging to Petróleos Mexicanos (Pemex), the state monopoly which ranks third in world oil production. Those plants, says Mr Jesús Reyes Heroles, the energy minister, represent 8 per cent of Pemex's assets and contributed only 1 per cent to its profits of $13.2bn last year.

When the government launched its privatisation drive last year, foreigners were invited to bid for petrochemical complexes. The bidding rules set no restrictions on foreign ownership. Nine months later, a national outcry over Pemex's dismemberment has forced President Ernesto Zedillo's administration to perform an about-turn.

The government, bowing to the combined opposition of Mexico's industrial magnates, oil workers and politicians, promised last month to deliver the petrochemical industry into Mexican hands. To justify the policy reversal, it invoked a little-known clause in the North American Free Trade Agreement which allows the government to reserve the first-time sale of state-owned petrochemical facilities to domestic companies.

Foreign analysts see the government's capitulation as an ominous precedent for future privatisations. Members of parliament, emboldened by their victory over petrochemicals, are challenging a government bill to privatise Mexico's state-run pension system. If they have their way, foreign banks which have made substantial investments in Mexico in recent years will be barred from the pensions business.

The original privatisation rules will not change for Cosoleacaque, an ammonia-producing complex which was offered for sale in October, and for which Norsk Hydro of Norway, two US fertiliser producers and a Mexican company have put in bids. But for the remaining three large petrochemical complexes, bids will only be accepted from companies or consortia that are majority Mexican owned.

"The government's sudden change of heart has not been well-received by Shell," says Mr Joaquín Moreno, president of Royal Dutch/Shell's Mexican operations. "Changing the rules mid-play will dampen interest in the sale, limit the flow of new investment to the industry and slow down the transfer of technology."

Shell, with $150m invested in Mexico and a $1bn partnership with Pemex at its Deer Park oil refinery in Texas, had set its sights on the Cangrejera petrochemical complex in the state of Veracruz.

"We have a good track record in joint ventures – we operate more than 1,000 worldwide," Mr Moreno says, "but we are not prepared to enter a partnership in which we may suffer discrimination, and in which we have little say over the resources that are required to develop the industry."

Oil consultants confirm the sudden loss of foreign interest in Mexico's petrochemical plants. Those who were advising foreign oil companies say all work has been put on ice pending the issue of new government guidelines.

Mr Reyes Heroles admits the change in ownership rules will delay completion of the privatisation exercise until at least the end of the year. It is probable that petrochemical complexes will have to be broken up into their component plants to accommodate the needs – and financial constraints – of Mexican companies.

"Selling the plants grouped by complex was important in terms of the speed and convenience of the privatisation," Mr Reyes Heroles said in an interview. "The procedures we now have to work out are considerably more complicated."

The policy reversal represents an important victory for Mexico's powerful industrial groups, which had raised the spectre of foreign domination, predatory pricing and shortages of essential products.

"Integration is really the key for internationally competitive chemical industries," says Mr Leopoldo Rodriguez of Resistol, the chemicals affiliate of Grupo Desc, one of Mexico's largest industrial conglomerates.

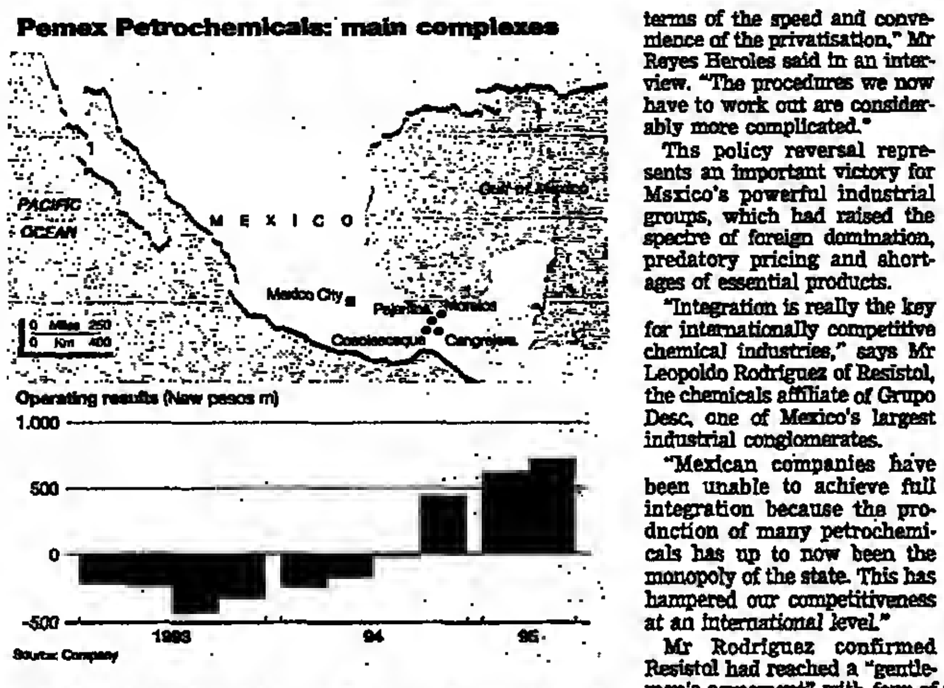
"Mexican companies have been unable to achieve full integration because the production of many petrochemicals has up to now been the monopoly of the state. This has hampered our competitiveness at an international level."

Mr Rodriguez confirmed Resistol had reached a "gentlemen's agreement" with four of Mexico's largest chemical groups – including Alpek of Grupo Alfa, Celulosa y Derivados (Cydsa) of Grupo Vitro, Grupo Celanese and Grupo Idesa – with the aim of presenting joint bids for Cangrejera and Morelos, another important petrochemical complex.

"If the five companies join forces to buy Pemex's petrochemical plants, the privatisation process will become a one-horse race," says Mr Moreno of Shell Mexico.

Leslie Crawford and Daniel Dombey

Pemex Petrochemicals: main complexes



Glencore scales back Century IPO

By Kenneth Gooding, Mining Correspondent

Glencore, the international trading group based in Switzerland, is having to accept far less cash than it hoped for from the flotation of its US subsidiary, Century Aluminium. Instead of the $300m to $414m, Glencore is having to settle for $136.5m to $157m.

Only 10.5m Century shares are being sold via an initial public offering, rather than the anticipated 20m, and the price has been cut to $13 a share against an expected $15 to $18.

This also means Glencore will be left with 47.5 per cent of Century, which owns the Ravenswood aluminium smelter in West Virginia with its associated rolling mill complex as well as 26 per cent of the Mount Holly aluminium smelter in South Carolina.

Morgan Stanley and Donaldson Lufkin & Jenrette are lead managers for the offering. The underwriters may buy an additional 1.575m shares to cover any over-allotments.

Analysts suggested the issue had been difficult to get away, possibly because Century was too small to appeal to the large US funds. Others said it was further evidence that the markets still had little appetite for base metals issues.

"Maybe too much equity has been been pushed into the markets recently," said Mr Nick Hatch, head of Flemings Global Mining Group. He calculated that the mining industry had raised about $2.5bn already this year.

NEWS DIGEST

Hayes and Motor Wheels to merge

Hayes Wheels and Motor Wheels, two US vehicle components groups, are merging in a cash and share deal worth $1.1bn, and will be recapitalised to form a significant supplier of steel and aluminium wheels to North American car and truck builders. Hayes is based in Romulus, Michigan, and Motor Wheel in Okemos, also in Michigan.

Varity, the big North American component and diesel engine group which now owns 43 per cent of Hayes, will get $235m cash and a 7 per cent interest in the merged company and will post a $100m after-tax gain.

A group of equity investors, including New York investment bankers Joseph Littlejohn & Levy, will end up with 43 per cent of the new group. *Robert Gibbens, Montreal*

Air Canada to expand capacity

Air Canada will raise its international capacity by 20 per cent this year to meet strong demand on routes to Hong Kong and the US, and for its new service between western Canada and Germany. But increases in domestic capacity will be limited because yields are under pressure from fare discounting.

Canada's biggest airline said it will accept two new Boeing 767-300s, two Airbus 340s, one Airbus 319, and seven Bombardier Regional Jets this year, and a further 26 new aircraft in 1997 and 12 in 1998 as its fleet renewal programme matured. Most will be leased. The airline hopes to get unit costs down to US benchmark levels this year and expects 1996 net profit before special items will be just over C$100m (US$73.4m). *Robert Gibbens*

Brazilian airline ahead sharply

Transportes Aerias Regionais (TAM), Brazil's leading domestic airline, saw net profits more than double from R$18.1m in 1994 to R$44m (US$44.5m) last year, bringing its increase in profits since 1993 to 650 per cent. Earnings per thousand shares were up from R$3.88 to R$9.42. Turnover grew from R$300m to R$401.8m.

"Ws are seeing the results of our expansion into new routes since the end of 1994," said Mr Ivo Alcaldi Soares, chief accountant, adding that the company also benefited from the growth of Brazil's economy since the introduction of a new currency in July 1994.

Passenger kilometres flown increased 88.3 per cent to 1.65m; occupancy rose from 48.6 per cent to 53.8 per cent. TAM acquired five Fokker F-100 and five Fokker F-50 aircraft during the year, bringing its total fleet to 33, all of which are held under operational leasing agreements. The company was named regional airline of the year by Air Transport World magazine, making it the first airline outside the US and Europe to receive the award. *Jonathan Wheatley, São Paulo*

SPCC lifts copper output

Copper mine output at the Southern Peru group (SPCC) reached 38,109 fine metric tonnes in the first two months, up 5.64 per cent on the same period last year. The preliminary figures from the energy and mines ministry were for copper produced at Southern's Cuajone and Toquepala open-pit mines.

SPCC, which is majority-owned by Asarco of the US and is Peru's largest producer of copper, accounted for 61.3 per cent of Peru's total output in the period, the ministry said.

Copper is Peru's largest single export earner, accounting for $1.2bn or 21.5 per cent of total Peruvian exports in 1995, according to official figures. The world's sixth-largest copper producer, Peru saw copper output in 1995 climb 10.8 per cent to 404,990 tonnes. *Reuter, Lima*

Prodigy chief seeks buyout funds

Mr Edward Bennett, Prodigy Services chief executive, is seeking financing to help him buy the computer online service outright, according to press reports. The company is jointly owned by International Business Machines and Sears, Roebuck. Sears said in February it was seeking a buyer for its half of the service. Neither company was available to comment on the article. *Reuter, New York*

MacMillan sells KNP BT shares

MacMillan Bloedel, Canada's biggest forest products group, has sold 8m shares of KNP BT, the Dutch paper and packaging group, to an underwriting syndicate for C$260m (US$191m), providing an after-tax gain of C$30m. *Robert Gibbens*

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US investor in $856m offer for Scitex

By Julian Ozanne in Jerusalem

The board of Scitex Corporation, an Israeli-based manufacturer of printing and video products, was due to hold an emergency meeting last night after a US-based entrepreneur made a takeover approach.

If it goes ahead, the bid will be the biggest in Israel's corporate history. The approach threw the company and investors into confusion yesterday, and trading of Scitex shares on the US Nasdaq exchange was temporarily suspended.

In an interview yesterday, Mr Davidi Gilo, a California-based high tech Israeli-American entrepreneur, confirmed he had made an offer to buy the company at $20 a share.

The offer, valued at $856m for the company's 42.8m outstanding shares, represents a premium of 44 per cent over Friday's closing price of $13¾.

Mr Gilo said he had already put in place financing arrangements for the deal – a mixture of equity and bank finance – but refused to give details.

He said he had approached the main shareholders in the company in recent months and had gave them details of the financing. However, his offer had been rejected and Mr Dov Tadmor, Scitex chairman, had refused to meet him.

"My proposal is to enter into expeditious discussion with the board of directors to acquire all the shares of Scitex in a consensual transaction," Mr Gilo said. He refused to detail his next moves should the board of directors refuse his offer.

However, in what Israeli investment bankers and lawyers described as a veiled threat of a hostile takeover bid, Mr Gilo said he had hired Skadden, Arps, Slate, Meagher and Flom, a New York law firm which was involved in a spate of hostile takeovers in the US in the 1980s.

Scitex confirmed they had received Mr Gilo's letter but refused to make any further comment until after the board meeting.

A senior Israeli investment banker said it was unclear whether Mr Gilo's move would be successful until he publicised details of his financing arrangements, but added that Mr Gilo's lack of a strategic corporate partner made a hostile bid more difficult.

"So far he has just proved he is an aggressive guy with enough money to get a good lawyer and a good banker," the banker said. "But he has definitely put the company in play and everyone is now brushing up on their jargon of the good old days of hostile takeovers. He is going to shake up the company, and that's a good thing, but the guy who starts a hostile takeover is not necessarily the person who ends up with the company."

Bankers said the Scitex board was likely to consider defensive measures at its meeting, including the possibility of bringing in a "white knight" investor to strengthen the company against Mr Gilo's approach.

Lex, Page 14

Gilo move plays to shareholder concerns

The Californian entrepreneur is offering a 44 per cent premium to current share price

The hostile takeover approach for Scitex Corporation comes when the company is in the throes of big restructuring and is at its weakest.

Once the darling of the Israeli high technology sector, analysts said weak management, inadequate responses to rapidly changing technology, and distance from its principal markets contributed to a two-year crisis which last year resulted in record losses.

Recent restructuring and management changes have promised to put Scitex back on its feet and return it to profitability, but have yet to restore eroding investor confidence.

In making his approach to buy Scitex at a 44 per cent premium above Friday's closing Nasdaq price of $13¾, Mr Davidi Gilo, a California based high-tech entrepreneur, knows he is playing to shareholders' concerns.

The company has $155m in cash and marketable securities in its balance sheet, making it attractive to a hostile takeover.

In addition, Scitex's share price is at a five-year low, reflecting the losses it has suffered. For the year ending December 31 1995, Scitex recorded a net loss of $35m, or 81 cents a share, against a profit of $63.8m, or $1.49, a year earlier. Revenues rose from $704m to $729m in 1995.

The collapse in profitability reflects the evaporation of its electronic colour pre-press hardware business (workstations) in 1993 following the introduction of new technology and the emergence of strong competitors in the short-run digital colour printing market.

Net income plunged from $122.4m, or $3.02 a share, in 1992 to $89.4m, or $2.10, in 1993. However, in 1994, Scitex began a re-organisation which involved moving into digital printing and video and introducing new products.

Last October, the company changed its chief executive and restructured into three groups – graphic arts, scitex digital printing and scitex digital video.

It also forged a strategic relationship with Xerox of the US to manufacture a new short-run digital colour printing system called Spontane, expected to reach the market in the second quarter of this year.

Contributing to the massive losses last year were $67m of special charges, due to the acquisition of Abekas, the restructuring programme and a 10 per cent reduction in Scitex's 3,400 work-force. The company said the cuts would amount to savings of $30m in 1996.

Analysts believe these steps are sufficient to restore the company to substantial profitability.

Lehman Brothers, the US based global investment house, said the worst was over for the company. It predicted revenues would rise 17 per cent in 1996 to $850m and earnings per share for 1996 would reach 65 cents.

"We see Scitex prospects improving, fueled by a turnround in its core graphic arts business, continued strong growth in its digital printing operation and a larger contribution from the digital video business following last year's acquisition of Abekas," said Lehman Brothers.

Bank Hapoalim registers record profit for year

By Mark Dennis in Jerusalem

Bank Hapoalim, Israel's largest and most profitable bank, continued its strong performance of recent years by reporting record net profits for 1995.

Hapoalim, which controls 43 per cent of Israel's banking industry, increased its net profit 17 per cent from $183.2m in 1994 to $214.4m, the highest total reported by a company in Israel.

However, the strong annual performance was mitigated by poor fourth-quarter results, with profits decreasing from Shk140m in fourth quarter 1994 to Shk95m a year earlier.

Analysts blamed an increase in provisions for doubtful debt and higher operating costs for the disappointing quarter.

Financing profits contributed the bulk of gross profits – up 32 per cent from $751.4m in 1994 to $991.8m.

The bank attributed the increase to a rise in the volume of credit to the public, deposits from the public and investment in bonds, and increased interest spreads in most areas of activity.

Provisions for doubtful debt increased 37.1 per cent, from $227.9m in 1994 to $312.6m last year, with most of it stemming from the agricultural sector.

At the end of 1995, Hapoalim's total consolidated assets stood at $43.1bn. Credit to the general public totalled $25.7bn and deposits $28.2bn.

Hapoalim, a large holding company with considerable non-financial investments, is in the process of privatisation, with the sale of a controlling stake to an international consortium of investors expected later this year.

The Renaissance group, which includes the Bronfman family of Canada, Goldman Sachs, the US investment bank, and Mr George Soros, the international financier, is expected to be awarded a controlling stake in the bank of between 20 per cent and 40 per cent worth between $400m and $850m.

In anticipation of the privatisation, the Israeli government has moved to curtail Hapoalim's considerable power in the economy, forcing it to divest some of its non-financial holdings, which total 25 per cent of its $2.16bn equity.

Additional profits of $12.4m were not included in the annual results because they resulted from holdings which the bank must divest.

Hapoalim's management has been widely praised for turning the bank around after the 1983 banking crisis that led to heavy selling of bank shares and government intervention.

Morocco plans further 'privatisation bonds' issue

By David White in Madrid

Morocco plans to launch a second issue of "privatisation bonds" later this month, and is contemplating a first international tranche aimed at future large-scale state divestments in sectors such as telecommunications, according to Mr Abderrahmane Saaidi, privatisation minister.

The new-style privatisation bonds, aimed at collecting funds in advance of the sale of state shareholdings, were first issued in January in a Dh1.7bn ($197m) operation. The bonds, convertible into shares of privatised companies, are negotiable on the Casablanca stock exchange.

Mr Saaidi said some 72 per cent of the bonds sold in January were used for conversion into shares in Samir, Morocco's largest oil refinery. A 30 per cent stake in Samir was sold recently on the stock market in the largest divestment of a state asset since privatisation began in Morocco in 1993.

The government aimed to keep its funds topped up for forthcoming privatisations, including the Sonasid steel company and a further 20 to 25 per cent in Samir, Mr Saaidi said. Among other state interests due to be sold off this year are Banque du Crédit Populaire, Fertima, the fertiliser company, three sugar mills and holdings in the mining industry.

The government has been reluctant to make an international offering until the success of the new instrument has been proven. Mr Saaidi said he did not envisage an international tranche for the next Samir operation since there was likely to be sufficient domestic demand.

But he said that as Morocco extended the scope of its privatisation plans there would be more room for international offerings. In addition, he said privatisation bonds might be used to redeem outstanding foreign debts.

The state ONPT telecommunications authority is among interests expected to be added to the 114 companies and hotels currently on the privatisation list. Mr Saaidi said a law reforming the telecommunications sector might be presented to the Moroccan parliament before the end of the year. Services would be liberalised as a prelude to privatisation of the ONPT, which would be transformed into a company, he said.

However, he emphasised that this would be a politically delicate decision. "Until a few months ago, public opinion regarded telecommunications as a symbol of sovereignty and independence."

Mr Saaidi, who was on a visit to Madrid, discussed prospects for privatisation with Telefónica Internacional (Tisa), the foreign arm of Spain's Telefónica group, which regards North Africa as its next area of expansion following its moves into Latin America.

Normandy proposes revised plan for merger

By Bruce Jacques in Sydney

Normandy Group, the Australian mining stable controlled by Mr Robert Champion de Crespigny, has proposed a solution to the impasse with local industry rival Newcrest Mining which is holding up a A$4bn (US$3.1bn) merger plan.

Mr de Crespigny yesterday sought to rekindle the merger between his four listed companies – Normandy; PosGold, its quoted goldmining offshoot in which Normandy holds a 50.1 per cent interest; Gold Mines of Kalgoorlie; and North Flinders Mines. PosGold holds large minority stakes in both GMK and NFM, both of which are also listed.

But last month Newcrest bought stakes in Normandy and in PosGold, which allowed it to vote down the merger plan. This time Mr de Crespigny has offered to include Newcrest's assets in the process, but with conditions.

The offer marks a softening of Mr de Crespigny's attitude in March when Newcrest paid more than A$450m to buy strategic stakes in the Normandy companies.

Newcrest then pressed for inclusion to the merger, aiming to create a world-ranking gold group with annual output approaching 3m ounces by the turn of the century. Mr de Crespigny said yesterday support for the merger plan remained strong among other shareholders.

"This support, reinforced in recent discussions with shareholders, means the Normandy Group companies must continue the objective of merging," he said. "The Normandy Group ... is prepared to consider the possibility of including Newcrest assets into the merger."

But Mr de Crespigny said this could only be done with "an independent and expert view" of Newcrest's assets. He proposed that Newcrest submit to a valuation by Grant Samuel and Associates, the same firm which valued Normandy companies for the merger proposal.

However, he said that because the valuation would take some time, the original merger proposal should be resubmitted to Normandy Group shareholders who would vote on the understanding that a subsequent merger with Newcrest would be considered.

Mr de Crespigny said his ability to pursue a merger clearly rested with Newcrest. "This two-stage merger process not only provides a more timely and cost-effective solution, but also reduces concerns regarding potential blocking positions in PosGold and increased amortisation charges resulting from the inclusion of Newcrest in a merged vehicle," he said.

NEWS DIGEST

Mitsubishi Electric names new PC chief

Mitsubishi Electric, one of Japan's leading electronics groups, has appointed the president of UK-based Apricot Computers, Mr Peter Horne, to head its new Personal Computer Business division in Japan as part of an effort to boost its global PC operations. In 1990, Mitsubishi purchased the hardware business of Apricot Computer, which has been supplying it with desktop computers and client-server systems for sale under the Mitsubishi brand.

This is the first time a leading Japanese electronics company has named a foreigner as head of a division. Mitsubishi believes Mr Horne can help it improve its PC business, which has been lagging behind that of other leading Japanese manufacturers.

Last year, Mitsubishi sold 100,000 PCs in the Japanese market, which is estimated to have reached 5.71m units, an increase of 71 per cent over the previous year, according to Dataquest, a high-technology consultancy. That puts the company well behind competitors such as NEC (which Dataquest estimates shipped 2.28m units last year), Fujitsu (1.06m) and Toshiba (217,000).

By 2000, worldwide sales of PCs are expected to total more than 100m, and Mitsubishi hopes to increase its share of the domestic market to 5 per cent by the end of that year. In particular, Mitsubishi is targeting the fast-growing home market, which makes up 36 per cent of the overall market, according to Dataquest. *Michiyo Nakamoto, Tokyo*

KBIM launches India fund

Kleinwort Benson Investment Management, part of Germany's Dresdner Bank group, has launched an Indian open-ended fund which it hopes will eventually attract as much as $50m from UK institutional and retail investors. Mr Kenneth King, head of KBIM's global emerging markets team and manager of the fund, said the timing of the launch reflected the considerable value currently on offer in the Indian stock market.

He noted, for example, that the market was close to its cheapest valuation since India started to reform its economy in 1991. According to KBIM, Indian equities are trading on a prospective price-earnings ratio of 12, well below the ratio of 32 seen in late 1994. Mr King said he planned to focus on India's larger companies because of their greater stock market liquidity. He would also concentrate on companies with strong balance sheets, realistic expansion plans and a strong market share or brand value.

The Dublin-based fund, which will be denominated in dollars, will be managed out of London but through a Mauritian subsidiary so that the fund will be exempt from Indian capital gains tax. KBIM will be advised by Tata Asset Management, a joint venture between itself and Tata & Sons, one of India's biggest industrial groups.

Since the beginning of March, when the fund was allowed to begin investing in India, it has attracted $10m, about three-quarters of which has come from other KBIM portfolios. KBIM has about £500m ($763m) invested in emerging markets, of which about 6 per cent is in India. The fund's official launch period runs from today to April 19, during which there will be a discount of 1½ percentage points on the initial charge, to 3¼ per cent. *Antonia Sharpe, London*

Chinese bank to close branches

The Industrial and Commercial Bank of China will cut the number of its branches by between 10 per cent and 15 per cent in 1996-2000, according to local reports. "The bank will strive to seek a significant breakthrough in its personnel system and structural reforms from this year," the Financial News said, quoting bank officials at a recent meeting.

The group, one of China's leading commercial banks, will close loss-making branches and savings offices, and reduce and merge overlapping institutions and branches in cities. The number of staff will be reduced to 1991 levels by 2000, and the head office will issue targets to branches to lay off workers according to performance, according to the newspaper. China has ordered its state-owned banks to operate as commercial banks and not just as policy lending arms of the state. *Reuter, Beijing*

Setback at Thai cement group

Siam City Cement, Thailand's second-largest cement producer, reported a 28 per cent fall in profits in 1995 to Bt1.53bn ($60.6m). The fall was steeper than expected because heavy flooding forced a halt to many construction projects and hampered distribution systems. The company did not disclose full financial details. The group, to which analysts attach a high level of "information risk" because of its poor disclosure record, is also believed to have about $450m in unhedged long-term loans, which makes it vulnerable to currency fluctuations. *Ted Bardacke, Bangkok*

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Malbak payout lifted after 21% first-half gain

By Mark Ashurst in Johannesburg

Malbak, the South African consumer goods and industrial holdings group, posted a 21 per cent increase in attributable earnings to R271m ($71.4m) for the six months to February, but warned that a slowdown in consumer spending and pressure on margins would partially offset the benefits of aggressive expansion.

Earnings per share for the period, during which Malbak issued R531m of shares and Global Depositary Receipts to settle international debt and fund acquisitions, increased 11 per cent, from 72.8 to 80.8 cents a share.

The interim dividend was increased to 18 cents a share from 16.5 cents, with the number of shares in issue rising to 337,515 at February 29, from 308,374 a year earlier. Mr Grant Thomas, chairman, said about half the proceeds from the share issue had been spent. Income from the balance had "boosted the total earnings for the period".

Group sales rose 15 per cent from R7.4bn to R8.5bn.

Analysts said the impact of stiffer competition from imports and the phasing-out of protective tariffs would be felt more keenly in the second half, despite a slight improvement in margins to 6.8 per cent. Consumer spending would decline as a result of high real interest rates and falling inflation.

Results included the performance of five of the six listed companies in the Malbak stable – Foodkorp, the food producer, which contributed 17 per cent of total income; SA Druggists, the healthcare company which has expanded in the UK and opened a factory in Malawi (15 per cent); Kohler, the packaging division which had disposed of non-core subsidiaries (21 per cent); and MY Holdings, the retail and appliance division which includes the Ellerines retail chain (27 per cent).

Clicks, the home and beauty retailer acquired from the debt-laden Premier conglomerate, has not declared results for the period. It was listed on the Johannesburg bourse as New Clicks on March 22, the date of payment of the R447m purchase price for Malbak's 51 per cent stake. But this payment had been included on the balance sheet as if it had been made at February 29.

British hongs facing fresh strategy challenges

John Ridding eyes developments at Swire Pacific and Jardines

Ask a Hong Kong businessman about next year's handover to China and he will reply that, in terms of strategy, the main changes have already occurred.

But recent events at the two biggest British hongs – the conglomerates controlled by UK interests – show the lessons of these strategies, and their limits, are still being felt.

Swire Pacific has been buffeted by the departure of two of its Beijing-backed allies from the board of Cathay Pacific, one of its main subsidiaries, and by the prospect of mainland competition. Jardines has ended its loss-making investment in Trafalgar House, a central plank in its policy of reducing dependence on Hong Kong, and has been mending fences with Beijing.

The moves have prompted strategy reappraisals, speculation about whether the worst is behind Jardines and Swire has entered a phase of strategic turbulence. Then there is the broader question of how incumbent businesses should arrange their affairs ahead of the handover to China.

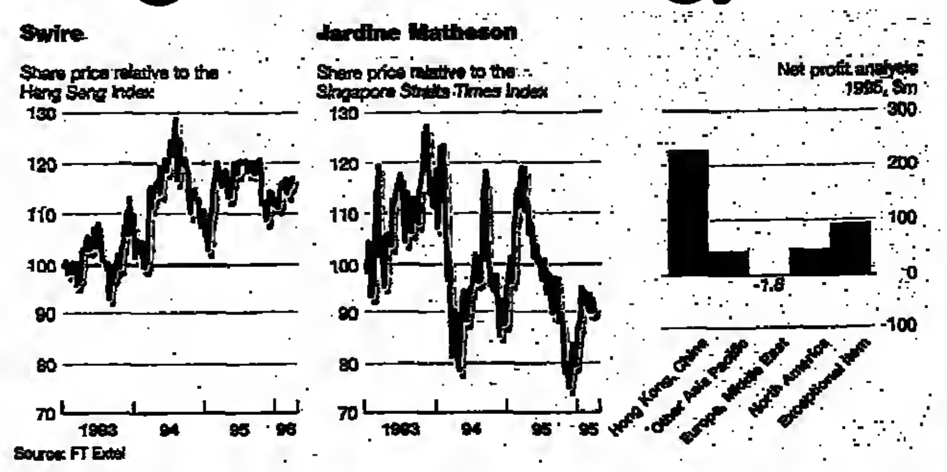
The two British hongs have always had a very different answer. "There is a fundamental philosophical difference," says one senior Jardines executive. While Swire Pacific has sought to buttress its position by forging alliances with mainland partners through the sale of equity stakes in some main subsidiaries, Jardines has limited co-operation to joint ventures, steered clear of equity ties, and de-listed some of its main subsidiaries from the Hong Kong market.

Swires has remained almost exclusively focused on Hong Kong, China and Taiwan, which account for more than 90 per cent of profits. Jardines, however, has sought to diversify. About half its earnings come from outside Hong Kong.

The motivation goes beyond philosophical differences and divergent views over the risks from China. Swires has been encouraged to seek allies because it depends more heavily on an effective franchise. Cathay Pacific, its 52 per cent-owned offshoot, accounted for about one-quarter of profits in 1995, albeit a strong year for the airline.

It is this activity that is prompting concerns. In an attempt to secure its standing in Beijing, Cathay sought an ally in Citic Pacific, China's main investment vehicle.

Mr Larry Yung, Citic's chairman and the son of China's vice-president, joined the Cathay board in 1987 and his investment group took a stake of 12 per cent in the company.



The departure of Mr Yung from the Cathay board this month and of Mr Henry Fan, Citic's managing director, have shown the shortcomings in this strategy.

"The alliance with Citic was not enough to defend Cathay from mainland competition," says one aviation consultant, referring to plans by CNAC, the subsidiary of China's Civil Aviation Authority, to set up a Hong Kong airline. "It may also herald Citic's ambitions to expand its own aviation interests, ultimately in competition with Cathay."

"China is not a monolith, and there is a risk of getting caught between factions," says a director at a US investment bank. "Powerful friends may not be enough, and in China, as elsewhere, friendship comes second to commercial self interest."

Jardines' experience illustrates the pitfalls of the alternative strategy. The write-downs and losses stemming from its investment in Trafalgar House revealed the risks of diversification. "Very few of us have made a success of shifting from Hong Kong," says the head of one of the territory's big business groups.

Possible exceptions are Hutchison Whampoa's moves into telecoms in the UK, through Orange, and the conglomerate's acquisition of Felixstowe port.

But Mr John Godfray, director of Kleinwort Benson Securities (Asia), adds that Hutchison has had its own problems, citing the investment in the UK's failed Rabbit telecoms project.

The costs of Jardines' spats with Beijing are harder to quantify. The blocking of its participation in a new container terminal project in Hong Kong was a clear example.

But Beijing's opposition to has been cleared. Jardine's 70-odd joint ventures in China, have seen little impact, while its main franchise partners, such as Mercedes, have held steady.

"The fall-out with China has been exaggerated," says Mr Godfray at Kleinworts. "China gives deals to the best bidder."

But rhetoric has given way to reappraisal as Jardines has moved to mend fences with Beijing. Henry and Simon Keswick, the heads of the Jardines empire, have lunched with Mr Zhou Nan, head of the Xinhua news agency in Hong Kong and China's unofficial ambassador to the colony. The group is also involved in consortia bids for port infrastructure.

Reappraisal between Jardines and China has been matched by a re-think in the investment community. "Swire's partners are still an asset, but the merits of their strategy vis-a-vis Jardines is not so black and white. In 10 years we might be saying that Jardines played the smarter hand."

This suggests it is a long-term game. Jardines has yet to demonstrate the rewards of its improved relations and remains cautious about committing itself to big mainland investments.

For Swires, the challenge is to contain any turbulence with its Chinese partner to aviation interests. In addition to Citic's 10 per cent shareholding in Cathay and their joint control of Dragonair, a local carrier, they have a range of projects and equity stakes. These include a 1.1m sq ft retail centre in Kowloon, due to open at the end of next year.

Mr Peter Sutch, Swire's chairman, said the Citic relationship was "extremely solid" after the resignations from the Cathay board. "Henry Fan and I even lost money at the races together," he added. There is a lot riding on whether mutual disappointments are limited to the horses.

Ayala shrugs off threat of 'inevitable' downturn

The Philippines' largest property developer says it can withstand any shocks, reports **Edward Luce**

Property prices at the high end of the market in Manila are roughly doubling every 12 months. But Philippine property specialists are pondering which company will suffer most when the inevitable downturn comes.

Ayala Land might seem an obvious candidate. It is the largest property company in the Philippines and, since January, the biggest company on the Philippine stock exchange with a market capitalisation of 145bn pesos ($5.54bn).

Fresh from the completion last year of a high-rise 43-storey stock exchange tower on Ayala Avenue – Manila'a equivalent of Wall Street – the company last month unveiled plans to invest 23bn pesos to upgrade Makati, Manila's business district, over the next five years.

In a move which sent brokers scrambling for their calculators, Ayala Land also announced a joint venture with Hongkong Land to develop the latest in a long line of luxury condominiums in Makati, initially capitalised at 1bn pesos.

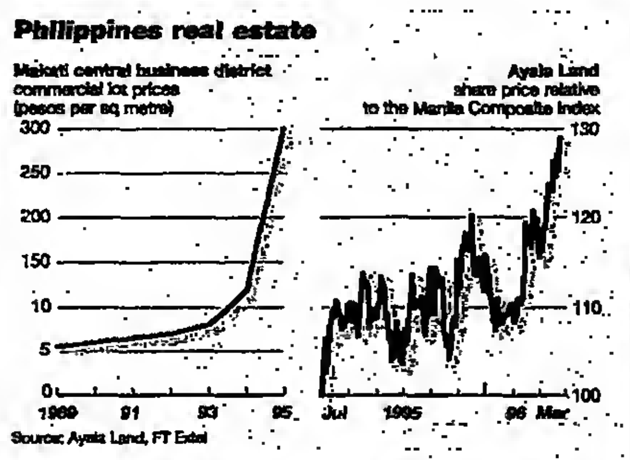
Ayala – the only Philippine blue chip to ontperform the stock index since its revival last November – also has several prime site office towers under construction in Makati.

"The real question is whether Makati can bear yet another high-end development such as the one Ayala is developing with Hongkong Land," says Mr Matthew Sutherland, chief researcher at Asia Equity Securities. "With the supply of office and condominium space comfortably ontstripping demand between now and 1998, this is a legitimate worry."

Richard Ellis, the British property group, says the supply of office space in Manila is set to increase by 80 per cent to 5.6m sq m by 1998 while demand will rise by less than 40 per cent. A similar mismatch is predicted in the residential sector.

But Ayala Land, which is responsible for a large proportion of the new supply expected over the next two years, says it is well placed to withstand any shocks.

"We are probably the most conservative property company in the Philippines," says Mr Fernando Zobel de Ayala, vice-president of Ayala Corp, the parent company. "We are not convinced there is going to be a glut of supply at the high end of the market. But if there is, we are better placed than our competitors, many of whom are putting their eggs in one basket.



"We have a debt/equity ratio of under 0.25:1 and a large proportion of our investments are in the middle to low income markets where the atory is exactly the opposite."

The company, which lifted net profits 44 per cent to 3.11bn pesos in 1995, has a landbank of 2,100 hectares, most of which is for low and middle income housing.

Ayala intends to increase its outpnt from 3,000 to 10,000 housing units next year, citing studies which show demand for new units at 3.5m. The prices range from 300,000 pesos to 3m pesos. "The moment we build a house it'a sold," Mr Zobsl says. "Sometimes the customer simply pays cash up-front. There's no way we can keep up with that type of demand."

The stock exchange tower on Manila's Ayala Avenue

Most of the financial sector is focusing on the expected property bubble in Manila, especially Makati. However, Ayala maintains more attention should be paid to the emerging middle class property sector – a growth area which, it argues, is sustainable.

The company is also ploughing capital into the top end market of provincial capitals, such as Cebu, where economic growth is three times the national average.

"If you look at how Ayala is spreading its investments, then arguably it is the least exposed of all the leading property companies to the growing bubble in Manila's business districts," says Mr Colbert Nocom, an analyst at ING Barings in Manila.

But compared with its rivals – notably Metro Pacific, the Philippine arm of Hong Kong-based First Pacific, which outbid Ayala last year to purchase the prime 240 ha Fort Bonifacio site in Manila for 39bn pesos (the largest cheque in Philippine history) – Ayala is considered a relatively safe bet.

Metro's 25-year investment is likely to result in a business district which will compete directly with Ayala's Makati next door.

"There has never been a crash before so nobody – including possibly Ayala – is expecting it to happen," says Mr Sutherland. "It will, but in the meantime they'll all continue happily to mint money."

ALCATEL ALSTHOM

A Poor 1995 Result. A Strong Recovery Program. Objective of a Good Profit Level in 1998 confirmed.

Paris, March 28, 1996 - The Board of Directors of Alcatel Alsthom met on March 27, 1996, under the chairmanship of Serge Tchuruk, CEO, and approved the Group's audited financial statements for the year ending December 31, 1995. The year ended with a net loss of FF 25.6 billion which compares with a profit of FF 3.6 billion in 1994. A significant part of this loss, FF 23.9 billion, is due to exceptional provisions and amortization, and to non-recurring, principally operational, charges. These non-recurring charges amount to FF 2.3 billion. The provisions and amortization are part of the recovery plan, presented last September. Serge Tchuruk reported on the progress of this plan to the Board.

The CEO presented the main strategic directions for the Group up to 1998. Alcatel Alsthom will benefit from the strong growth in its core business markets of telecommunications and electronics, which should see a net increase of more than 5% per year up to 2000. The Group has technological and marketing strengths which, together with the current re-engineering of its business and product portfolio, will allow it to take full advantage of this growth process from now on. The profound internal change underway, reinforced by strategically focused acquisitions and partnerships is, for Serge Tchuruk, the reason for expressing confidence in the objective of a return to good profit level in 1998.

The Board of Directors also approved a proposal to merge Alcatel Alsthom and Alcatel Cable based on the exchange of one Alcatel Alsthom share for one Alcatel Cable share. Finally, the Board decided to propose to the Annual Shareholders Meeting a net dividend per share of FF 8, corresponding to a total dividend per share of FF 12 including tax credit, with the option to receive the dividend in the form of Alcatel Alsthom shares.

1995 Results

Consolidated sales amounted to FF 160.4 billion in 1995 compared to FF 167.6 billion in 1994, which represents a decrease of 4.3%. Excluding structure changes, sales decreased by 3.4%.

Income from operations, before financial expenses, amounted to FF 0.6 billion in 1995, compared to FF 8.0 billion in 1994. It includes charges for pension costs and employee profit sharing, which were previously included in non-operating items in the consolidated income statement and amounting to FF 1.4 billion and FF 1.6 billion in 1995 and 1994 respectively. It also includes in 1995 non-recurring items of FF 1.9 billion.

The loss before taxes and share in net income of equity affiliates is FF 26.0 billion, compared to a profit of FF 3.2 billion in 1994, due to the creation of significant restructuring provisions and the exceptional amortization of goodwill for several of the Group's subsidiaries.

- Restructuring costs amount to FF 13.4 billion and include an exceptional provision of FF 10.7 billion. Total restructuring reserves amount to FF 16.9 billion, and should cover the restructuring costs in the Telecom and Cable segments for the period 1996/1998.
- Amortization of goodwill amounts to FF 13.5 billion, including a FF 10.9 billion exceptional charge, reflecting the change in market prospects for several companies acquired by the Group which, today, are found much less favorable than anticipated.

The taxation charge is FF 1.1 billion compared to FF 0.5 billion in 1994.

The share in net income of equity affiliates decreased by FF 1.0 billion, principally because of the drop in Framatome's results, the losses in Cofira, as well as a lower contribution from Shanghai Bell, related to the start of its new manufacturing plant.

The net loss of FF 25.6 billion compares to a profit of FF 3.6 billion in 1994.

Shareholders' equity before appropriation amounts to FF 34.2 billion compared to FF 62.0 billion at the end of 1994. The Group's net financial debt reached FF 20.0 billion in 1995, compared to FF 12.1 billion in 1994.

Review of Business Segments

Telecom

The Telecom segment recorded a loss from operations before financial costs of FF 3.3 billion, which included a FF 1.5 billion non-recurring operating charge. This compares to a profit of FF 2.3 billion in 1994. Two-thirds of this decrease resulted from the network systems activities, with one third coming from the evolution of the business systems and radio-transmission activities.

The market for **network systems** equipment was, as in 1994, characterized by a strong decline in prices. Sales decreased due to the drop in exports to China from the European units. In other geographical markets, sales levels were maintained and the number of installed lines worldwide increased over the previous year.

In transmission activities, the Group once again achieved significant advances, particularly in the US, where Alcatel Network Systems' sales increased by 23%.

Mobile communications consolidated its position at around 10% of the world GSM market. Several significant contracts were signed at the beginning of 1996, notably in Asia, thanks to the division's technological developments. Total orders of mobile switches in the US exceeded 2 million lines.

Sales in **business systems** increased slightly in 1995. There were strong price pressures in France, Germany and the United Kingdom. However, exports to Asia and South America grew significantly. Alcatel, which is one of the very few major telecommunication companies present in the high potential market of datacommunications, now has a global offering for public and private networks.

Alcatel strengthened its order book in **space** activities which will increase by 50% for the two years 1995 and 1996. It maintained stable activity in the **defense** division thanks to its position in strongly developing market segments. In **radio-transmission**, the Group was confronted with a slowdown in Italy, Spain, and Brazil. However, it has achieved a 30% market share in the US.

Cables

(Sales for the segment are not the same as those published by Alcatel Cable, because of differences in the scope of consolidation.)

Despite improved sales, the Cables segment recorded a slight decrease of FF 0.5 billion in income from operations, which reached FF 2.3 billion. This reduction comes mainly from the deterioration of the German market and from submarine telecommunications systems, which are affected by technological changes and an over capacity of the installed base.

GEC Alsthom

GEC Alsthom, with stable sales, maintained its financial performance despite intense pressure on prices, with income from operations amounting to FF 1.3 billion (Group share).

Power generation activities were confronted by a continuing weak demand in Europe, and strong competition in Asia. Orders began to pick up at the beginning of 1996.

In rail transport, the order book represented three years of trading at the end of last year, due to major sales achievements, particularly in the field of urban transport. At the beginning of 1996, the high speed train "TGV" benefited from a very favorable outlook: GEC Alsthom, together with Bombardier, was selected to manufacture the TGV for the state of Florida, and also received a contract for the high speed line between Boston, New York, and Washington DC.

Systems

The loss from operations before financial costs of FF 0.4 billion in 1995 compared to a FF 0.4 billion profit in 1994. This drop is mainly due to the integration of Alcatel Siette (previously accounted for in the Telecom segment), which registered a significant loss in 1995 that included non-recurring items.

The **Battery** segment maintained its income from operations at FF 0.2 billion.

Recovery Plan
1996 Action Program

The purpose of the plan, which will achieve its full effect in 1998, is to obtain an annual productivity gain of FF 7.0 billion. In addition to defensive actions, such as restructuring programs and disposals, the plan includes a series of offensive actions aimed at turning the company toward the future.

Restructuring

Restructuring mainly affects the Telecom and Cables segments and will occur between 1996 and 1998. The program concentrates on the rationalization of R&D and manufacturing, on enhancing productivity efforts, and on a significant reduction of administrative structures. It takes into account local issues in a spirit of consultation with all partners concerned and will endeavor to find alternative employment where possible for those whose positions are lost. Since mid 1995, the loss of 12,000 employees has been achieved or announced, out of which 7,500 are from Telecom, and 4,500 from Cables. Further steps will be announced soon.

Disposals

A program of disposals, reaching a total of FF 10 billion to be achieved essentially in 1996, began with the sale of the non-strategic copper cable activities in the US, and the sale of financial participation. Other divestiture plans have been announced and their execution is underway, such as the sale of Rediffusion, the cable television network in Switzerland.

Simplification of the legal structure

The Group's legal structure is being simplified with the number of corporate entities to be reduced from 900 to 500 between January 1996 and January 1998. To date, 187 companies have been merged.

Plan for the merger with Alcatel Cable

In line with this plan, Alcatel Alsthom's Board of Directors approved the merger with Alcatel Cable, which will become effective after due consultation and approval by the Annual Shareholders' Meeting on June 20, 1996.

This industrial reorganization is part of the Group's restructuring plan announced last September. One element of this plan is to unify the sales offer by coordinating the actions of all subsidiaries and by centralizing certain common functions. In a number of countries, the Group's resources have been placed within the same corporate structure, which allows the optimization of all the subsidiaries functions and to fully benefit from Alcatel Alsthom's international presence. Lastly, the management of treasury and foreign exchange as well as other central management and control functions has been centralized.

The planned operation will allow shareholders to be concentrated on the stock that is the most representative of the Group of which Cables activities represent a significant part. In addition, current Alcatel Cable shareholders will benefit from the very substantial liquidity of Alcatel Alsthom's stock in the financial markets.

Having reviewed the preliminary analysis provided by its advisors, the Board of Directors proposed a parity of exchange which, subject to confirmation of the merger, will exchange one Alcatel Alsthom share for one share of Alcatel Cable.

Partnerships and acquisitions

As announced last September, a strategy of alliances and partnership has been put into place in order to reinforce the Group's position in certain areas.

A commercial and technological partnership has been concluded with Sharp, in the strategic field of mobile terminals. Talks with Mitsubishi have resulted in the signature of technical cooperation agreements in opto-electronic components and rail transport.

At the end of 1995, an agreement in principle was signed to acquire the electrical engineering and power distribution divisions of AEG, placing GEC Alsthom among the world's three leaders in this area and strongly reinforcing Cegelec's position.

A partnership agreement between GEC Alsthom and Siemens was announced today. It concerns joint marketing of high speed trains outside Europe and the US.

Dividend

The Board of Directors will propose to the Annual Shareholders' Meeting a net dividend per share of FF 8, compared to FF 15 in 1994, corresponding to a total dividend per share of FF 12, including tax credit. Even though the result of the year was negative, the Board wishes to acknowledge the loyalty of Alcatel Alsthom's shareholders and to express its confidence in the achievement of the considerable effort toward the recovery of the Group.

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Speculation of share buy-back damped despite sale proceeds

Asia growth boosts Burmah

By Motoko Rich

Burmah Castrol, the lubricants, chemicals and fuels group, yesterday moved to damp speculation of an imminent share buy-back as it unveiled pre-tax profits at the top end of expectations.

Mr Jonathan Fry, chief executive, said a buy-back was not something it had given serious consideration. "We are not in a cash surplus," he said. "Our gearing is still higher than the median of the FT-SE 100."

Year-end net borrowings totalled £144m ($220m), against £173m a year earlier, for gearing of 20 per cent (28 per cent).

His comments followed speculation last week that the group would announce a share buy-back after raising £180m through the sale of its retail fuels businesses in the UK, Turkey, Chile and Sweden over the past year.

The rise in pre-tax profits, from £219.5m to £253m, was achieved on the back of strong growth in Asia and cost-cutting in Europe.

Attributable profits exceeded market expectations at £136m, a rise of 18 per cent over the 1994 pre-exceptional figure. Including exceptionals, attributable profits eased 2 per cent. The shares added 10p to £10.67.

Turnover rose 4 per cent to £3.05bn (£2.93bn), with Castrol lubricants, the largest business, contributing a sales increase of 8 per cent to £191bn.

Mr Fry said growth in Asia was the strongest, with the group raising sales volumes 20 per cent and profits 18 per cent. He said the group invested heavily in the region last year, and planned to build the group's first factory in China.

Profits in the lubricants division rose 13 per cent to £204.3m. The Brazil operations made losses of £9m. Mr Fry said the group had changed the senior management and taken provisions to reorganise the business.

Operating profits in the chemicals division jumped 28 per cent to £82.4m, generating improved operating margins of 8 per cent (6 per cent).

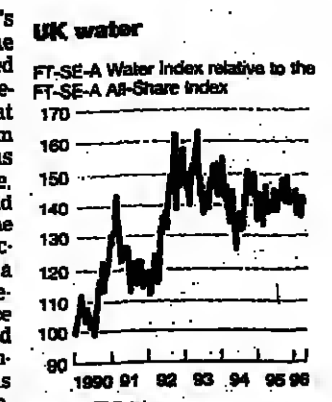
Brendan Corr

Jonathan Fry: leaning on lubricants, its largest division

LEX COMMENT

UK water

The good news for Britain's water industry is that the government has over-hyped its plans to introduce competition. The bad news is that it has not over-hyped them that much. Certainly, as many in the industry argue, competition in water would be unlikely to have quite the bite it has had in gas, electricity or telecoms. For a start, water is inconveniently heavy – and hence expensive to transport. And at present there are only limited physical connections between different water companies' networks: opening them up to take much larger volumes would be expensive. So competition might not hit water companies as hard as it has, say, British Gas. But this is not as reassuring as it sounds, given that British Gas's share of the business gas market has been absolutely hammered.



Moreover, for competition to work big customers do not actually need to start buying water in vast quantities from other regions. They simply need credibly to be able to threaten to. And the very wide variation in charges across different areas would work in their favour.

Nor can the industry necessarily pin its hopes on a Labour government saving it. When Labour reflects, the current government's plans might suit it. The proposals would, after all, benefit consumers at the expense of privatised utilities.

Investors, though, can afford to take a relatively relaxed view of all this. The market has already priced so much regulatory risk into water stocks that they should take the implications of competition comfortably in their stride.

DIGEST

Changing IBC advances 22%

IBC Group, the conference and specialist publishing group, yesterday reported a 22 per cent rise in pre-tax profits from £10.1m to £12.4m ($19m) helped by a series of disposals and acquisitions.

Profits in the publishing division rose 38 per cent as the group reorganised and rationalised its operations. Fleet Street Publications and Moneyletter, its remaining consumer publications, were sold, leaving the group focused on business-to-business communications.

Eight acquisitions were made over the previous 14 months, which together with the purchase of some minority interests, cost £13m.

Profits from the conference business rose 10 per cent. Margins were pressured by the expenditure made on new conference businesses, among them Sweden, South Africa and Austria, amounting to £1.2m. There was also weakness in the US, Dutch and Australian markets. However, these were largely offset by corresponding increases in the UK, Germany and Asia. *Christopher Price*

GKN stops short on Greenbury

GKN, the engineering, defence equipment and industrial services group, has stopped short of adopting the recommendations of the Greenbury Committee on service agreements. Although the Greenbury code recommends notice periods of no more than one year, GKN said it had decided to reduce its service agreements only from three to two years.

Sir Peter Cazalet, deputy chairman and head of GKN's remuneration committee, said: "A further reduction to one year would not be in the interests of shareholders."

US restructure for Powerhouse

Powerhouse Resources is on the verge of "restructuring" its US oil and gas assets in a deal that will ultimately lead to the energy company withdrawing from the business and focusing on its expanding electrical power generation interests in east Asia.

Powerhouse, which changed its name from Com-Tek Resources last summer, yesterday asked the Stock Exchange to suspend trading in its shares pending the restructuring. However, the shares had to be suspended because the company was unable to release its annual results within six months of the end of its financial year. *Patrick Harverson*

Reunion producing 'soon'

Reunion Mining, which floated in December shortly after bringing its Sanyati copper mine in Zimbabwe into operation, will be producing gold "in the not too distant future," said Mr Andrew Woollett, chairman.

The statement accompanied preliminary results for 1995 showing a £1.91m ($2.9m) loss before tax against £750,000. Losses per share were 6p (3.2p).

Mr Woollett recalled that most of the company's gold exploration effort so far has been devoted to the Chirano property in Ghana where Reunion is earning a minimum 25 per cent interest. He said a development decision would be made early next year and, if positive, production could begin in 12 months. *Kenneth Gooding*

Pittencrieff writes off reserves

Pittencrieff Resources, the Edinburgh-based oil and gas production company, slipped to a £20.3m ($31m) loss after an exceptional write-down of reserves at Corpus Christi, an oilfield in the US.

Sales for 1995 rose to £12.1m on the back of weak gas prices and lower production volumes. Before exceptionals profit was £245,000, compared with £1.05m for the seven months to December 31 1994. Production costs rose to £3.25m (£1.97m for seven months).

In the light of the £20.5m write-down, there is again no final dividend.

Ashanti to buy-out minorities

Ashanti Goldfields of Ghana is preparing to buy out the minority interests in gold mines it acquired with the takeover of Cluff Resources, the UK based company it bought for £80m ($122m) in December.

Ashanti is offering a share exchange worth US$17m for the 20.1 per cent of Cluff Zimbabwe it does not already own. The terms, 70 Ashanti for one CZ share, values each CZ share at Z$3. *Kenneth Gooding*

COMPANIES AND FINANCE: UK

Hongkong Telecom: profitable springboard into China

Asian jewel in C&W's crown

John Ridding and Louise Lucas on why BT wants Hongkong Telecom

Should British Telecommunications tie the knot with Cable and Wireless, a large part of the dowry and of the rationale for the merger would be provided by Hongkong Telecom.

The Hong Kong operator contributes the bulk of C&W's profits – its UK parent holds a 58 per cent stake. It also provides a strategic base from which to expand in the rapidly growing Asia-Pacific market. "Hong Kong itself is lucrative, because of the concentration of multinational headquarters," says one telecoms consultant. "It is also the way into China and a springboard for the region."

But like Hong Kong itself, which returns to Chinese sovereignty next year, the telecoms operator has been living on borrowed time. Its monopoly on basic international services lasts until 2006, while its home base has already been opened to competition. A trio of thrusting challengers – Hutchison Whampoa, Wharf and New World, local conglomerates – have been granted licences to provide fixed services.

In addition to competition, there are question marks over whether Hong Kong's takeover rules require an expensive offer to minority shareholders and over political issues relating to the territory's transition to Chinese sovereignty. Beijing's stance is an important consideration for a successful deal in a strategic industrial sector.

For the moment, industry and regulatory concerns appear distant from the company's performance. In the six months to September 30, net profits rose by almost 15 per cent to HK$4.8bn. Analysts expect annual profits to reach HK$10bn.

Mr Linus Cheung, chief executive, attributed the first-half rise to such areas as mobile communications, leased lines and data services.

Of more long-term significance are Hongkong Telecom's moves to position itself in the domestic Chinese market. At the end of 1994, it announced a US$300m investment to build networks in China, the first opening of the local telecoms market to foreign operators.

However, analysts express some caution about its position on the mainland. They point out that successful deals by others in China have involved either equipment manufacturers or tie-ups with Liantong, China's second telecoms operator. Because of its regulatory role, Hongkong Telecom has been forced to deal with the Ministry of Post and Telecommunications (MPT), the main Chinese operator.

At home, concerns stem mainly from mounting competition. The three new players are all backed by some of Hong Kong's most powerful conglomerates and are aggressively cutting prices.

Hongkong Telecom's mobile telecoms operations, one of its fastest-growing businesses, has also come under assault.

In response, Hongkong Telecom has been forced to change its monopolistic culture and increase efficiency. In March last year, it launched a rationalisation programme, with the aim of cutting its workforce from 16,000 to 13,500 over a three-year period. Since taking over as chief executive in 1994, Mr Cheung has also revamped the company's marketing and improved customer service.

Industry analysts argue that Hongkong Telecom is now on course to face its challenges. "It is responding well by cutting costs and providing better services," says Mr Andrew Harrington, telecoms analyst at Salomon Bros.

These benefits would be reaped by a successful suitor. But the political circumstances surrounding the timing of the bid and the technicalities of Hong Kong's mergers and acquisitions code make it an unusually complex deal.

Hong Kong's telecoms regulator and the Securities & Futures Commission remain guarded on the conditions that would be attached to any merger. But industry analysts believe the need to extend an offer to minority shareholders and to renew its international licence would be avoided by a reverse takeover of BT by C&W. "There would be no change of ownership, so these issues should be avoided," says Mr David Gibbons, telecoms analyst at James Capel.

On the political front, Hongkong Telecom has made efforts to strengthen its ties with the mainland, selling a staka – now 10 per cent – to Citic Pacific, the Hong Kong arm of the Chinese investment company.

The company has also taken steps to increase its identity as a Hong Kong and ethnically Chinese business. "There has been a clear effort to bring in Chinese management at a senior level," says one telecoms consultant. But partners and China's guarantees of autonomy for Hong Kong do not ensure security.

In the aviation sector, for example, CNAC, the mainland carrier, plans to launch an operation in Hong Kong despite the fact that it holds a stake in Cathay Pacific, the subsidiary of the Swire group. This has raised concerns about whether the "one country, two systems" principle will hold in strategic business sectors.

Moreover, while C&W has helped strengthen Hongkong Telecom's Chinese identity, its courtship with BT has served as a reminder that the colony's operator is controlled by UK interests.

For these reasons, the two British operators are likely to tread carefully in Hong Kong. Some observers believe they may even structure a deal to include Chinese interests.

That BT and C&W are willing to confront these complexities is testimony to Hongkong Telecom's attractions.

Panel intervenes in Rentokil/BET bid

The Takeover Panel has intervened in the £1.8bn ($2.73bn) hostile offer from Rentokil for BET, the business services groups, to clarify the role of an underwriter, writes Tim Burt.

The move follows the publication last week of a research note by NatWest Markets, joint underwriters to Rentokil's cash alternative offer of 179½p a share, that suggested BET had little chance of remaining independent. In the note, NatWest described Rentokil's initial offer as *generous* and warned BET *shareholders* not to assume the bid would be raised.

That prompted a protest by Merrill Lynch, joint advisers to BET, claiming that NatWest should have disclosed its Rentokil interest. NatWest, which confirmed it had been contacted by the panel, said it had been asked to inform investors it was an associate to Rentokil's bid and would do so in further research notes.

It is *the second time the panel* – which declined to comment yesterday – has intervened since Rentokil launched its cash and paper offer six weeks ago.

In February, it criticised Lazard Brothers, Rentokil's merchant bank, for failing to keep the panel fully informed of its client's intentions.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
African Lakes	Yr to Sept 30	38.5	(46.7)	1.897♠	(0.835)	34.76L	(6.14)	nil	-	0.5	nil	0.5
Burmah Castrol	Yr to Dec 31	3,049	(2,934)	253	(243.5♥)	68.9	(69.4)	25.25♣	July 12	22.5♣	36.25	32.5
Caverdale	Yr to Dec 31	187.5	(135)	4.22	(3.7♥)	1.45†	(1.69)	0.18	July 1	0.16	0.3	0.26
Frogmore Estates	6 mths to Dec 31	62.2	(33.2)	6.81♠	(7.2)	7.1	(10.4)	4.1	Apr 26	4	-	18
IBC	Yr to Dec 31	97	(77.6)	12.4	(10.1)	25.8	(20.4)	5	May 30	5	8	6.5
Innovative Techs	Yr to Dec 31	0.167	(0.033)	2.7L	(1.74L)	12.98L	(10.2L)	-	-	-	-	-
Lon & Manchester	Yr to Dec 31 ★	-	(-)	57.1♥	(14L♥)	36.6	(3.3L)	12.62	June 13	11.56	18.7	17.16
Macallan-Glenlivet	Yr to Dec 31	18.7	(17.2)	7.09	(6.69)	4.87	(4.12)	0.985	May 16	0.855	1.455	1.265
Pittencrieff Res ‡	Yr to Dec 31	12.09	(7.34)	20.3L♠	(1.04)	35.41L	(1.82)	nil	-	nil	0.5	nil
Radamec	Yr to Dec 31	12.5	(10.8)	1.34	(1.01)	4.9	(4.5)	1.6	July 4	1.4	2.4	2.1
Reunion Mining	Yr to Dec 31	-	(-)	1.91L	(0.75L)	6L†	(3.2L)	-	-	-	-	-
Sea Containers ☆	Yr to Dec 31	497.4	(489.2)	108.7	(32.5)	8.27	(1.5)	-	-	-	-	-
Sharpe & Fisher	Yr to Dec 31	63.5	(64.4)	3.84♥	(4.4♥)	12.2	(14)	3.5	June 7	3.3	5.2	5
Ulster TV	Yr to Dec 31	34.2	(31.4)	8.2	(7.49♥)	51.77	(48.16)	12.5⁂	July 1	12.5	22.5	20

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Five Arrows Chile ☆	Yr to Dec 31	390	(387)	4.86	(3.38)	5	(4)	3	June 12	1	5	7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♣Includes Foreign Income dividend element. †On increased capital. ★ Comparatives restated. ⁂Special of 100p also proposed. ‡Comparatives for 7 months to December 31 1994. ☆ US currency.

LAW

BT loses ruling over damages

EUROPEAN COURT

A European Union state which has incorrectly implemented a directive will only be liable for damages when a serious breach of European law is established, the European Court of Justice ruled.

British Telecommunications had sought the annulment of certain national provisions implementing the 1990 directive on procurement procedures for public utilities.

The provisions excluded certain types of telecommunications contracts from the terms of the directive. The contracts were those intended to enable companies to provide services in competition with others in the same geographical area and under substantially the same conditions.

No list of excluded contracts was set out in the directive. Instead, companies were required to notify the European Commission at its request of any services they regarded as covered by the exclusion.

In implementing these provisions, the UK regulations excluded all telecommunications companies operating in the UK, except BT and Kingston Communications (Hull). They were subject to the terms of the directive but only for basic voice telephony, basic data transmission services, the provision of private leased circuits and maritime services.

BT claimed in the English High Court that the UK should simply have transposed the directive and not applied criteria to services to which the directive would not apply. By determining which services met the criteria, BT said the government deprived it of its right to make its own decisions.

BT claimed damages for the extra expense of complying with the regulations and being placed at a commercial and competitive disadvantage by a requirement to publish procurement plans and contracts.

The High Court asked the Luxembourg judges for a preliminary ruling on the extent to which member states had a discretion, in implementing the directive, to identify the excluded services. The European Court was also asked whether the criteria that "other entities are free to offer the same services in the same geographical area and under substantially the same conditions", were to be verified only as a matter of law or also as a matter of fact. Finally, the court was asked whether, and under what conditions, damages would be payable.

It ruled first that it was for the contracting entities alone to determine and notify the ssrvices excluded under the directive. If the decision to exclude certain services were left to member atates, economic operators would be denied recourse to the legal remedies available in the event of infringement by contracting entities of European rules on public procurement.

As to whether the criteria had to be determined only as a matter of law or as both law and fact, the court said the criteria had to be shown to exist as a matter of fact.

Real competition existed where other contracting entities were not only legally authorised to operate in the market for the services, but where they were also able actually to provide the services under the same conditions as the contracting entity.

On damages, the court reaffirmed its recent ruling in the Factortame case that where a member state had a wide discretion to take legislative decisions, a right to reparation was conferred only where certain conditions were met. One was that the breach of law had to be sufficiently serious. That was met where a state manifestly disregarded the limits on the exercise of its powers.

Factors which could be taken into account in determining that included the clarity and precision of the rule breached. In this case the directive was imprecisely worded and was reasonably capable of bearing the interpretation given it by the UK in good faith. BT was thus not entitled to damages.

C-392/93: R v H M Treasury, ex parte British Telecommunications, ECJ FC, March 26 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Russia's central bank board voted

The Russian Parliament has approved the new board of directors for the country's central bank, brought in by Sergei Dubinin when he became bank chairman last November.

Under Dubinin's leadership, the central bank has earned a reputation as one of Russia's islands of tough economic reforms at a time when much of the government appears to be drifting towards more populist measures. One of the most formidable new figures Dubinin has brought with him is Sergei Aleksashenko, a 36-year-old economist who is one of Russia's most respected market reformers. Aleksashenko, now one of three first deputy chairmen at the central bank, was deputy minister of finance between 1993 and 1995.

The impending presidential election, scheduled for June 16, has propelled the bank to the centre of the Russian political stage. Foreign and domestic observers are hoping that Dubinin and his team will be strong enough to defend the rouble and the country's fragile macro-economic stabilisation from efforts to boost Russian President Boris Yeltsin's re-election chances with a spring spending spree. The bankers could come under even more pressure if Gennady Zyuganov, the communist candidate and front-runner in the polls, wins the election. *Chrystia Freeland*

El Al chief resigns

Rafi Harlev, the respected president of El Al, Israel's national airline, has resigned with effect from June because of the government's continued failure to privatise the company, something he views as essential in order to keep the airline competitive.

Harlev, 63, took over the troubled airline 13 years ago, bringing a company suffering from heavy losses and poor labour relations to profitability in three years. It has not recorded annual losses since. But El Al currently flies only six days a week, closing on the Jewish Sabbath because of religious pressure to observe the day of rest. Harlev believed that private ownership, including foreign partners, would help it face up to growing international competition, unfettered by government reluctance to defy religious interests.

The privatisation plan was approved at the end of 1994. It was postponed for the first time in April last year, and then a few weeks ago was blocked until at least national elections on May 29. The second postponement seems to have persuaded Harlev that the government would not give him the necessary support.

Harlev, who was a general in the Israeli air force, has said the resignation is final. He has not indicated what he will do upon leaving his post this summer. *Mark Dennis*

Japanese bank moves

Yo Kurosawa, regarded as the country's most influential banker, is likely to resign from his post as president of Industrial Bank of Japan.

Kurosawa, well known for his multilingual talents and suits and shirts tailored in London, is expected to become chairman. The move comes as pressure is mounting on banking industry leaders to resign to take responsibility for the *jusen* housing loan debacle.

The country's leading banks were the founders of the *jusen*, or home loan companies, and are seen to have used the companies as conduits to channel funds to speculative real estate projects. In order to calm public anger over the situation, ministry of finance officials and Wataru Kubo, the finance minister, have been calling for the presidents of the country's leading banks to resign.

Although IBJ officials deny that Kurosawa's move is in response to such demands members of the Tokyo financial community do not find it a coincidence that his resignation comes at a time when the bank is trying to clean its balance sheet of bad loans. Masao Nishimura, vice president of the bank, is expected to take over from Kurosawa, who became president in 1990. *Emiko Terazono*

Greenberg jnr rises

Jeffrey Greenberg, 44, an offshoot of one of the most famous names in US insurance, is starting to emerge from the shadow of his father 'Hank' Greenberg, the legendary chairman of American International Group. He has been appointed chairman and chief executive of Marsh & McLennan Risk Capital Corp, part of the US insurance broking and financial services group.

Greenberg junior began his insurance career with Marsh & McLennan in 1976 before joining the much bigger AIG where he rose to head the domestic general brokerage group. It had been thought that he was being groomed to succeed his 70-year-old father at AIG. But last year he quit the company and rejoined Marsh & McLennan as an executive in its fast-growing risk capital operation.

The young Greenberg succeeds Bob Clements, 63, who will concentrate on investment activities. He will also sit on the main board, making him the youngest executive director of Marsh & McLennan Companies. *William Hall*

Dial's upward path

Terri Dial, 46, has been rewarded for helping turn Wells Fargo & Co into the biggest small business lender in the US. Dial, who joined Wells Fargo in 1973, rises to vice-chairman of the San Francisco-based banking group, making her one of the most senior woman bankers in the US.

Wells Fargo has targeted small business lending as one of its core growth businesses. It is recognised in the industry as a leader in the development of new lending methods and products for small business. Dial, as head of Wells Fargo's business banking group, is responsible for providing loans and banking services to small businesses across the US. *William Hall*

ON THE MOVE

■ Robert Buechelhofer has been appointed chairman of the supervisory board of AUDI, the Volkswagen unit. Buechelhofer, VW management board member responsible for sales and marketing, replaces Ferdinand Piech, who will continue to sit on Audi's supervisory board. Piech has relinquished his position as supervisory board chairman to devote more time to VW.

■ Hiroshi Zaizen has been promoted from senior managing director to executive vice president of MITSUBISHI Corp, from June 27. Tonomura Naohisa and Yasuo Sone rose from directors to managing directors on April 1.

■ Alfred Voskian, 47, becomes Singapore-based vice president of Asia Pacific Sales at EASTMAN CHEMICAL COMPANY, from May 1. He replaces Darryl Williams, who has been named senior vice president, technology management.

■ Wulf Bernotat, 47, and Peter-Michael Preusker, 52, are joining the management board of Germany's VEBA OEL. Bernotat will be responsible for sales and Preusker takes over personnel, environment and central services from Manfred Krueper, 54, who steps down from the supervisory board on June 30.

■ S.M. Datta, chairman of soap and detergent maker Hindustan Lever, has been appointed chairman of the INDIAN ALUMINIUM COMPANY from May 14. Datta succeeds T.D. Sinha, who has been chairman since 1990.

■ Leif Victorin and Lars-Eric Petersson have swapped part of their portfolios at SKANDIA INSURANCE. Victorin succeeds Petersson at the head of Skandia International Direct and Reinsurance, and also chairs Skandia International Insurance Corporation. Petersson, the group's deputy CEO, meanwhile succeeds Victorin as head of Skandia Norden.

■ Klaus Bussfeld, 48, joins the supervisory board of RWE ENERGIE from October 1, with responsibility for purchasing/merchandising, data processing and foreign activities. Heinz-Werner Ufer, 43, joins the management board and inherits finance and accountancy from Richard Klein, who is joining RWE Entsorgung on November 1.

■ Heinz Reinermann, 60, who has been on the board of PREUSSAG of Hanover for 20 years, is leaving at the end of April, and will be succeeded by Wolfgang Schultze, 60, deputy chairman of trade union IG Chemie.

■ The supervisory board of BAYERISCHE VEREINSBANK of Munich has appointed three new board members: Wolfgang Sprissler, 50; Claus Nolting, 44, and Stephan Schueller, 44.

■ Rolf Schauble, chairman of Swiss insurer BALOISE HOLDING, has been named to the posts of president and chief executive to succeed Gianfranco Balestra who has resigned. Remi Bouchez, a Frenchman, joins the executive committee.

■ Eric Girardin has been appointed managing director of ALCATEL CONTRACTING. He retains his position as director of Cegelec.

■ Alain Teitelbaum, formerly chairman of Raychem France, has been appointed chairman of the COMITE COLBERT, the trade association grouping 75 luxury goods companies.

■ Charles Miller Smith, chief executive of Britain's ICI, and Carl Reichardt, who is director of Wells Fargo & Co., become non-executive directors of HSBC HOLDINGS.

■ Klaus Knappik, currently chief executive of Jacky Maeder, SWISSAIR's freight forwarding subsidiary, will head the group's new cargo and logistics division, with effect from April 30.

■ John Spence becomes managing director of National Australia Bank's fund management arm, NATIONAL AUSTRALIA FINANCIAL MANAGEMENT, following Frank Davis' retirement. He was previously general manager of retail distribution at Legal and General Australia.

■ Finn Hvistendahl, chief executive of Den norske Bank, has been appointed chairman of the insurance company VITAL FORSIKRING. He succeeds Egil Gade Greve, who is leaving Vital's board.

■ Roger Ames rises from chairman of POLYGRAM UK to the new role of president, PolyGram Music Group, with worldwide responsibility for music and music publishing operations. John Kennedy succeeds him in the PolyGram UK chair, from June 1.

■ Luis Magana, deputy chairman, replaces Alfonso Escamez as chairman of CIA ESPANOLA DE PETROLEOS.

■ Peter Atkinson becomes a director and general counsel of HOLLINGER, Conrad Black's international media holding company. Garth Drabinsky, Henry Ketcham III and Maureen Sabia also join the board.

■ Jean-Phillipe Montel, chairman of International Paper's French subsidiary Aussedau Rey, has joined the board of CARTER HOLT HARVEY, the New Zealand Forestry group in which International Paper owns a majority shareholding.

■ K.V. Krishnamurthy, previously a general manager with the Central Bank of India, joins the board of the state-run BANK OF BARODA.

■ V. Thyagarajan rises from managing director of Glaxo India, to GLAXO WELLCOME's Singapore-based area director for south-east Asia. H.R. Khusrokhan inherits his old post and remains md of Burroughs Wellcome India.

■ John Sanford, 42, becomes vice president – project finance and Deborah Hockman, 40, becomes vice president – technology development and management at WMX TECHNOLOGIES.

■ Hans Strueder, COMMERZBANK head of global sales in Frankfurt, is taking responsibility for capital markets in London. David Bilverstone, formerly in charge of central bank coverage at Merrill Lynch, joins Commerzbank London as head of global sales.

■ David Munves, 40, becomes Lehman Brothers' Eurobond strategist, with a broad remit across fixed income markets. Munves was previously with PaineWebber and Kidder Peabody in London; he will report to Roger Howgego, head of fixed income research.

■ Russell Fynmore, 62, has been elected as chairman of Optus Communications, the Australian telecommunications group set up to compete with state-owned Telecom, replacing Sir Brian Inglis. Fynmore retired from BHP in 1992 after 32 years.

■ Soon Yeap, 34, becomes senior vice president for China operations at Coastal Corporation's power production subsidiary, COASTAL POWER COMPANY.

■ Robert Gemmell has been named chief executive of SALOMON BROTHERS CANADA, based in Toronto. Gemmell was previously vice chairman of Merrill Lynch Canada where he has worked since 1990. From 1986 to 1990 he was with Morgan Stanley in New York.

International appointments

Please fax announcements of new appointments and retirements to: +44 171 873 3926, marked for International People. Set fax to 'fine'.

COMMODITIES AND AGRICULTURE

UK potato growers call for controls as disease returns

By Alison Maitland

The UK farming industry, overwhelmed by the British beef crisis, now has to contend with an outbreak of the serious potato disease brown rot.

The disease, a bacterial infection that rots the tuber and contaminates the soil, has been found in a sample of eating potatoes taken from stocks in a UK potato store.

The potatoes were grown and harvested last year on a farm in the Thames Valley west of London. The only previous outbreak of brown rot in the UK occurred in 1992 in the same area.

Apart from the harm to the crop itself, a damaging side-effect of brown rot is that affected fields have to be left uncultivated for at least five years.

A widespread outbreak of the disease occurred last autumn in the Netherlands, the world's largest potato grower, hitting at least 85 farms. UK potato and seed potato producers called for a ban on Dutch imports. So far, the ministry agriculture has rejected a ban but requires all Dutch imports to be notified so that they can be sample-tested.

Brown rot has been found in two lots of imported Dutch seed potatoes this year.

A ministry spokesman said there was no evidence to link the UK outbreak with the Dutch problem and that it was investigating the possible spread of the disease through irrigation.

However, Mr John Bethell, chief executive of the Scottish Seed Potato Council, which represents the profitable Scottish seed potato industry, said: "Our reaction is one of increasing horror at the virulence of this disease and this [outbreak] will only cause us to redouble our determination to restore full quarantine".

Until the single market in 1992, Scotland had "protected region" status requiring that all imported potato plants be screened in quarantine for two growing cycles.

Mr Mike Storey, research manager of the British Potato Marketing Board, said the UK outbreak renewed concern "about the efficiency of sampling and not being able to guarantee that any consignment is free of the disease".

The affected farm lies downstream of the original outbreak in 1992 and the bacterium can survive and be regenerated through woody nightshade, a plant that acts as a host.

"There's the possibility that the bacterium has been carried downstream in the Thames and passed on through irrigation," he said.

Bain Hogg, an insurance company, last week launched a scheme for growers to insure themselves against brown rot in the 1996 crop.

Turkey's first gold mine cleared

By Kenneth Gooding, Mining Correspondent

After a very protracted and difficult permitting process, final approval has been given for work to start on Turkey's first gold mine.

The joint venture partners have been battling since 1991 to obtain approvals from 11 government departments for the Ovacik mine, which is now expected to start up in the second half of 1997 at a cost of US$35m.

Other international mining companies with promising prospects in Turkey have been hanging back to see whether the Ovacik project would eventually go ahead. Some suggest that, now the way is clear, Turkey may have five gold mines producing 12 to 15 tonnes a year between them within five years.

Gold production from the combined open pit and underground Ovacik mine will be at an initial rate of 110,000 troy ounces a year and a cash cost below of US$150, according to the Eurogold joint venture.

Eurogold, which so far has spent more than $15m on the project, is owned 65.7 per cent by LaSource, the Australian-French mining company controlled by Normandy Mining, while Inmet Mining of Canada owns the rest.

Fierce opposition to the Eurogold project was based on local fears about the use of cyanide to leach out the precious metal, a common practice throughout the world. There was also concern about the impact the mine would have on tourism because the deposit is only 12km from the historic city of Bergama.

Mr Robert Champion de Crespigny, Normandy's chairman, said the mine and plant would operating "under the highest of environmental standards, incorporating a detoxification circuit and a specially engineered tailings dam."

Eurogold also argued in the past that the mine would add interest to tourism in the area by offering tours of the mill.

Ovacik, a high grade deposit with an average of nearly 10 grams of gold in each tonne of ore, already has enough reserves for at least four years. The mine will have about 200 employees and another 1,000 jobs will be indirectly created.

Mr de Crespigny said commissioning of Ovacik would take LaSource's annual gold production to 300,000 ounces. Mr Klaus Zeitler, Inmet's president, said that production from Ovacik, combined with his company's 100 per cent owned Troilus mine, in northern Quebec and scheduled to start up in 1997, would see Inmet's gold output increase to 300,000 next year and to 350,000 ounces in 1998.

Gas market mechanism 'reveals illiquidity'

By Robert Corzine

North Sea natural gas producers and shippers wanting to take advantage of new market mechanisms in the UK domestic gas sector may need to establish round-the-clock trading operations, according to a new study by Wood Mackenzie, the Edinburgh energy consultants.

The report examines the circumstances of sharp gas price rises recorded on several days last month when TransCo, the monopoly pipeline operator, called for additional gas supplies through the "flexibility mechanism", a device for balancing the national gas system on a daily basis. It is based on an electronic link through which shippers and producers can respond to TransCo's request for bids.

The largest of last month's price spikes resulted from TransCo changing its overnight demand forecast in the early hours of the morning. Only British Gas Trading responded, although its bid of 148p a therm for expensive liquefied natural gas was many times more than the spot price of less than 10p.

Wood Mackenzie said the spikes exposed "the illiquidity of the flexibility mechanism". They also exposed "illiquidity and lack of depth" in the informal spot gas market, as participants quickly withdrew supplies in an attempt to secure higher prices.

"The risks of operating in such a market are also likely to advance the development of risk hedging facilities and instruments," according to the consultants.

They said many North Sea producers had not appreciated that the network code, the complex set of rules governing the downstream gas market and which includes the flexibility mechanism, could have a big impact on the upstream part of the industry.

De Beers in Angolan diamond hunt

By Kenneth Gooding

De Beers is ready to spend US$75m over the next five years exploring for diamonds in Angola, according to Mr Jim McClusky, who is responsible for the South African group's operations in that region.

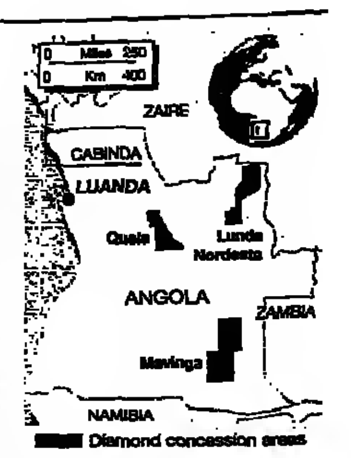
Angola's council of ministers said last week that De Beers had been given exclusive rights in three areas. It has prospecting rights for diamonds in new kimberlites in the north-east, including parts of the provinces of Lunda Norte and Lunda Sul. In Quela, Malanja province, and Mavinga, Cuando Cubango province, it has prospecting rights for both alluvial and kimberlite diamonds.

Mr McClusky said prospecting operations were expected to start in the Lunda provinces and a De Beers' base camp would be established as the security situation permitted. Meanwhile, De Beers would do some aeromagnetic survey work. De Beers also wanted to search for diamonds deep beneath the sea off the Angolan coast.

Angola at present produces about $600m-worth of rough (uncut) diamonds a year from alluvial sources containing high quality, high value gem stones. But only 5 to 10 per cent go through government marketing channels. The rest are smuggled out.

De Beers buys these Angolan diamonds whenever it can for its producers' cartel – the Central Selling Organisation – to prevent the market being flooded. About 10 per cent are acquired in Angola but most are bought in Antwerp or Israel after they have been through three or four middle men.

Angola's government enacted a new diamond law in 1994 allowing for the licensing of companies to mine concession areas under contract to the state company, Endiama.



Filipino suspicions cloud mining hopes

Edward Luce on conflicts between economic and environmental concerns

The indigenous people of Tampakan in southern Mindanao – the southernmost island in the Philippines – hava mixed feelings about Western Mining Corporation'e local exploration rights. The Australian company, which last year received permission to explore a 90,000-hectare chunk of the region for gold and copper deposits, has pledged to spend US$10m a year over the next five years prospecting a 1,000ha strip of the area.

The drilling operation, which has created 500 jobs and includes funding for local community development and infrastructure projects, is by far the largest investment in the poverty-stricken area. If the drilling and subsequent feasibility studies prove successful WMC will pour in more than US$500m, dwarfing previous investments in the region.

Yet suspicion about WMC's intentions abound. Last month a group of local non-governmental organisations accused WMC of pumping cyanide and mercury into its 40 drilling holes and claimed the company was planning to evict the indigenous B'laan people from their historic lands. WMC's efforts to persuade critics that it was injecting only harmless bentonite and organic polymer into the holes mostly fell on deaf ears.

The Philippine government, which last year pushed a new Mining Code into law permitting foreign companies to own 100 per cent of local operations, repatriate all profits and to apply for renewable exploration rights over 90,000ha sites, admits that negative perceptions about mining will be a problem. The blatant flouting of environmental codes during the country's mineral boom era in tha 1970s and 1980s caused untold ecological harm and left a stubborn residua of hostility.

"A lot of nationalists will accuse foreign mining companies of trying to grab land and evict indigenous peoples," said Mr Joel Muyco, outgoing director of the bureau of mines. "It will probably take a long time to spread the message that the new mining act provides world-class environmental and cultural safeguards."

Mr Rod Watt, general site manager of WMC's drilling operations, says that the environmental provisions in the 1995 Mining Code are as strict as prevailing norms in Australia. The law, which, through gradually escalating rental costs, compels tha lessee to relinquish 25 per cent of the exploration area a year, also contains stringent social and cultural protection clauses.

NGOs, however, say that the Philippine government haa a dismal record on implementing its own laws.

Mining executives suspect that widespread popular concern over the opening up of the country'a deposit-ricb mining sector to foreign ownership is behind the growing delays to bureaucratic approval of foreign exploration rights. Of the 69 international companies to have applied for Financial or Technical Assistance Agreements (FTAA) – including Newmont, Newcrest, TVI Pacific and CRA of Australia – only two (WMC and Arimco of Australia) have so far been approved.

Officials at the bureau of mines, where senior executives are paid less than US$1,000 a month, complain of the lack of funding to process the applications. Qualified Filipino geologists prepared to swap increasingly lucrative private sector jobs for badly remunerated posts in Manila are few and far between. "If and when we receive proper resources from the treasury we will be able to do a proper job," said Mr Muyco who departs for the private sector this month.

Industry analysts say that the process must be accelerated if the country is to revitalise its moribund mining sector. Export earnings from mining have plummeted from 25 per cent of Philippine exports ten years ago to 6 per cent in 1995.

Western Mining, which plans to move to the feasibility stage in 1997 and foll mining operations by 2001 if its Takaban drilling operation produces results, has another four FTAA applications for Mindanao gathering dust in Manila while Newmont Gold (USA) is awaiting a decision on aeven requests covering almost 700,000ha in central Luzon. Both companies, however, are likely to be patient.

Citing generous tax breaks on imported capital equipment, the reduction of excise rates from five to two per cent and the fact that the country'e gold and copper deposits are estimated to be among the ten highest in the world, foreign mining companies say that they have no choice but to adjust to Manila's leisurely time-frame.

"Our commitment to the Philippines is long term," said Mr Watt, who supervises WMC's sole FTAA from General Santos City in Mindanao. "The Philippines is ona of the most promising environments for mining in the Asia Pacific region. The new mining code is a very strong improvement on previous laws and can compete with some of the best liberalisation codes in the region."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1636.5-7.5	1667-8
Previous	1643-4	1673-4
High/low	1633	1674/1663
AM Official	1633-4	1665-6
Kerb close		1662-3
Open int.	219,998	
Total daily turnover	29,443	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1380-90	1420-5
Previous	1385-95	1426-32
High/low		1420
AM Official	1375-80	1419-20
Kerb close		1415-20
Open int.	5,603	
Total daily turnover	1,038	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	791-3	783-3.5
Previous	812.5-4.5	788-90
High/low	798/796	788/780
AM Official	795-6	785-7
Kerb close		780-1
Open int.	39,762	
Total daily turnover	6,748	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8115-25	8215-20
Previous	8165-95	8265-90
High/low	8030	8240/8110
AM Official	8025-30	8135-40
Kerb close		8190-95
Open int.	41,201	
Total daily turnover	12,431	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6415-25	6450-60
Previous	6415-25	6440-43
High/low		6475/6430
AM Official	6415-25	6445-50
Kerb close		6465-70
Open int.	17,841	
Total daily turnover	4,380	

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	394.8	-1.0	395.7	394.3	7,791	4,392
Jun	397.8	-0.8	399.1	396.9	35,416	100,541
Aug	400.0	-0.8	400.5	399.4	412	20,322
Oct	399.0	-4.5	402.5	402.0	611	5,368
Dec	404.6	-1.0	405.8	404.6	927	17,794
Feb	408.0	-	408.0	408.0	7	5,007
Total					46,396	195,456

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	406.7	+0.9	406.7	401.4	2,411	2,353
Jul	410.7	+1.4	411.3	406.0	6,929	19,379
Oct	413.5	-	413.5	411.0	165	2,902
Jan	416.0	-	418.0	414.0	337	1,091
Apr	416.5	-	417.0	416.5	208	544
Total					10,050	26,289

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	142.75	+1.90	142.75	141.50	368	5,938
Sep	143.50	+1.40	143.25	143.25	128	654
Dec	144.50	+1.40	-	-	17	111
Total					511	6,703

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Latest price	Day's change	High	Low	Vol	Open int
May	555.0	+1.0	555.5	551.5	12,392	55,221
Jul	560.0	+1.4	560.0	556.0	1,409	15,799
Sep	564.5	+1.4	565.0	561.5	61	11,173
Dec	570.5	+0.2	571.5	568.0	162	7,541
Mar	581.0	-	581.0	581.0	9	3,165
May	592.5	-	-	-	-	96
Total					14,063	96,182

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	22.15	+0.88	22.15	21.38	31,598	89,800
Jun	20.60	+0.45	20.63	20.14	12,271	73,680
Jul	19.70	+0.39	19.70	19.37	8,342	46,750
Aug	19.12	+0.30	19.14	18.87	6,065	29,111
Sep	18.79	+0.24	18.80	18.70	2,475	28,292
Oct	18.62	+0.22	18.63	18.50	380	15,872
Total					68,744	427,742

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

PRECIOUS METALS

■ LONDON BULLION MARKET

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
Apr	64.225	+0.800	64.275	63.225	6,019	21,278
Jun	63.100	+0.625	63.150	62.000	7,556	32,602
Aug	62.500	+0.525	62.550	61.850	3,126	19,044
Oct	63.825	+0.625	63.850	63.300	1,185	10,890
Dec	63.250	+0.550	63.275	62.750	597	9,342
Feb	63.475	+0.550	63.475	63.000	373	3,886
Total					18,857	97,491

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
Apr	52.400	+0.850	52.550	51.400	2,109	6,388
Jun	56.350	+1.500	56.350	55.500	3,149	15,998
Jul	54.450	+1.500	54.450	53.700	805	4,833
Aug	51.275	+1.500	51.275	51.000	661	5,606
Oct	46.850	+1.500	46.850	46.250	693	3,293
Dec	48.350	+1.500	48.350	48.000	410	1,945
Total					7,879	40,983

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
May	70.675	+2.000	70.675	70.675	2,101	6,429
Jul	69.725	+2.000	69.725	69.725	670	3,092
Aug	66.475	+2.000	66.475	66.475	211	1,017
Feb	64.625	+2.000	64.625	64.625	27	154
Mar	64.100	+2.000	64.100	64.100	2	8
Total					3,009	10,701

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jun	Apr	Jun
1600	57	121	8	42
1700	8	68	60	86
1800	-	35	151	150
■ COPPER (Grade A) LME	**Apr**	**Jun**	**Apr**	**Jun**
2400	178	116	3	81
2500	41	68	28	111
2600	7	37	93	176
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
1850	63	118	52	153
1900	42	100	81	185
1950	26	85	115	220
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
875	103	128	-	6
900	79	107	1	10
925	56	87	3	15
■ BRENT CRUDE IPE	**May**	**Jun**	**May**	**Jun**
1850	-	69	13	69
1900	71	56	29	-
1950	55	31	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.61-7.64x	+0.415
Brent Blend (dated)	$20.82-0.88	+0.65
Brent Blend (May)	$10.87-9.89	+0.53
W.T.I.	$21.98-2.00x	+0.44
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$206-207	+1
Gas Oil	$198-189	-4.5
Heavy Fuel Oil	$105-107	
Naphtha	$192-194	+4
Jet fuel	$209-213	-3
Diesel	$193-195	-3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER		
Gold (per troy oz)	$394.90	-1.85
Silver (per troy oz)	552.50c	-1.00
Platinum (per troy oz.)	$405.00	-3.85

JOTTER PAD

CROSSWORD

No.9,034 Set by PROTEUS

ACROSS

1 Abandoned child discovered on heather (9)
6 Remains a lady when seen outside (5)
9 Finish in head-down position (3,2)
10 Inference drawn from something taken off the bill (9)
11 Deer tracks may be carefully hidden? (4,6)
12 Flower having a double existence? (4)
14 Makes a point in certain cases (7)
15 Incompetent bigwig it would seem (7)
17 Bearing left at Heathrow for example (7)
19 Give low priority to place at the rear (3,4)
20 Festival of destiny it is said (4)
22 Assault on fowls by missel-thrushes (5-5)
25 Tale about oyster found in a car (9)
26 Approximately one turn (5)
27 Hardy novel a manifold evil? (5)
28 Signs of astronomical recession betrayed by Russian 2 (3,6)

DOWN

1 Where battle was fought by hunt-members (5)
2 Briefs one may seldom use? (9)
3 Authoritative statement of French attitude (10)
4 Prevails on dictator to become involved in deadly sin (7)
5 Pin to catch a fish (7)
6 Chief of some peculiar church (4)
7 They succeed in making man "sir" perhaps (5)
8 Sean spraying perfume though getting on a bit (9)
13 Set forth by train or ceremonial vehicle (5,5)
14 Bird finding husks of corn on island (9)
16 Turn aside to view damage to tree (6,3)
18 More untidy rubbish leading to row (7)
19 Foreshadow drink running out? (7)
21 Bound to receive king though weary (5)
23 Plots that look a mess we hear (5)
24 Island having a mysterious power (4)

Solution to Saturday's prize puzzle on Saturday April 13.
Solution to yesterday's prize puzzle on Monday April 15.

INTERNATIONAL CAPITAL MARKETS

High-yielding sector outperforms core markets

By Richard Lapper in London and Richard Waters in New York

European government bonds started the day strongly following Friday's rally in US Treasuries. The strength of the dollar and related weakness of D-Mark/euro cross rates helped European high-yielding bond markets, which again outperformed core markets.

■ In the UK, economic data provided evidence of weaker growth and easing inflationary pressures. This helped gilts recover some of the ground lost as a result of the BSE, or "mad cow disease" scare.

Money supply figures were in line with expectations and purchasing manager figures slightly lower. On Liffe, the June long gilt made steady ground in relatively thin volume ahead of the Easter holidays, settling about ¾ ahead at 105½, while in the cash market the 10-year spread over German bunds narrowed by 2 basis points to 184 points. Dealers reported strong demand for two tranches – some £360m in all – of index-linked tap stock.

Mr Nigel Richardson, chief bond strategist at Yamaichi International, said the "mad cow disease" scare had lifted gilt spreads to very "attractive levels".

Mr Simon Briscoe, chief European economist at Nikko Europe, said investors were beginning to realise that the worst fears about the impact of the disease "are not going to be realised" and some investors were already beginning to switch.

He predicted that many fund managers who are currently re-examining their asset allocation for the second quarter of the year would increase investment in gilts.

"The market has been very quiet but there is some considered reinvestment going on and I would expect gilts to benefit from that," he explained.

■ German markets were boosted by reports of a further rise unemployment, following February's record post-war figure. The reports were later retracted but the market still finished higher, with shorter-dated paper outperforming.

Yields on two-year benchmark bonds fell 7 basis points, compared with a 5 point fall in the 10-year area. On Liffe, the June euromark contract advanced by 0.01 to settle at 96.78, while the June 10-year bund contract settled about a third of a point ahead at 96.57.

Germany continued to outperform the US, with the 10-year yield spread of Treasuries over bunds widening to

GOVERNMENT BONDS

6 basis points from 3 points at the end of last week.

Mr David Brown, chief European economist at Bear Stearns, described the movement as a "small step for Germany but a giant leap for European outperformance in the coming months."

He expects the spread to widen to 50 basis points over the next four to six months.

"There's a very clear case that Europe's business cycle has decoupled from the US again [as it did post-unification] and this mismatch in the two business cycles should provide the spur for European bonds to outperform the US."

Mr Graham McDevitt, bond strategist at Paribas Capital Markets, said the ultimate direction of the markets was still being dictated by the US but Europe would outperform the US because of divergence in the economic cycles. "It is a relative decoupling," he said.

■ The strength of the French franc, which reached a 22-month high against the D-Mark, helped the French market. On Matif, the June 10-year future settled at 122.14, a rise of 0.44 on Friday's close.

■ Danish bonds were buoyed by a 10 basis point cut in the CD and repo rates, with yields on the benchmark 10-year bond falling by 4 basis points.

■ Currency factors helped Spain, Italy and Sweden outperform Germany, with 10-year spreads in all three countries narrowing in by 4 basis points to 327, 438 and 209 points respectively. Analysts said that Italy was merely regaining ground lost last week, but were more positive about the Spanish trend, pointing to improved prospects that the centre-right Popular party will be able to form a government. There are hopes in some quarters that the Spanish central bank may be able to cut its repo rate by 25 basis points tomorrow.

■ European and other high yielders have been among the best investments in bond markets, according to figures released on Friday by J.P. Morgan. In dollar terms, Swedish bonds last month outperformed all other government bond markets, with total returns amounting to 2.60 per cent, ahead of Australia at 1.62 per cent and France at 0.97 per cent.

Over the last 12 months, Sweden was also the top performer, with returns of 35.1 per cent, ahead of Italy's 31.98 per cent and Spain's 22.95 per cent.

Last month's figures also illustrate the volatility of these markets, however. In March, for example, South Africa was the worst performer, with negative dollar returns of 3.45 per cent, and Italy second worst, with negative returns of 1.23 per cent.

■ Treasury bonds retreated early yesterday on a report indicating that the US manufacturing sector had shown greater activity during March than had been expected.

The National Association of Purchasing Management's index rose to 46.9, up from 45.2 for February. Among the biggest factors behind this increase was a jump in the new orders component of the index to 49.7 from 44.7.

At any other time, a reading at that level might have suggested sluggish growth. However, coming after a period marked by the 17-day stoppage at General Motors, the purchasing managers' report seemed surprisingly firm.

The benchmark 30-year bond, which had gained a quarter point before the 10am release of the report, fell back to trade at 91⅛ by the late morning. That was equivalent to a fall from late Friday trading of $\frac{1}{32}$ and gave a yield on the long bond of 6.677 per cent.

Among shorter maturities, two-year notes fell $\frac{1}{16}$ to 98$\frac{25}{32}$, for a yield of 5.788 per cent and five-year securities fell $\frac{3}{32}$ to 97$\frac{19}{32}$, yielding 6.101 per cent.

IDB expected to borrow more in US dollars

By Stephen Fidler in São Paulo

A switch to increased US dollar borrowings by the Inter-American Development Bank is expected this year as it moves towards providing a greater proportion of loans to its own borrowers in dollars.

At last week's Inter-American Development Bank annual meeting in Buenos Aires, US Treasury undersecretary Larry Summers said the US would place no objection to increased borrowing by the IDB from the US market.

"I'd like to see countries being able to get the product that they want from the bank. I suspect that for many Latin American countries that would be a fully dollar product," he said.

The bank, which is unable to take on exchange risk, has since 1982 lent in a basket of dollars, European currencies and yen, apart from a few small dollar loan programmes.

Borrowers pay interest based on the pooled weighted average interest rate of the bank's portfolios.

According to bank calculations, which assume that the pooled loan system had been in place since the bank's first lending in 1961, pooling has cost borrowers on average 1.3 percentage points a year more than pure dollar loans, taking both interest rate and exchange rate changes into account.

This amount, which largely reflects the continued depreciation of the US dollar, is the cost of providing some insurance against sharp rises in the dollar or in US interest rates.

Since some borrowing countries consider this excessive, it seems likely that some time this year the bank will be formally mandated by its board to increase the dollar proportion of its loans, and therefore of its borrowings.

This will follow a survey of borrowing countries. "We're going to send missions to all borrowing countries. In the next three months we'll have a good idea what our borrowers want," said Mr Charles Sethness, the bank's finance manager.

According to Mr Carlos Santistevan, its treasurer, there are several ways in which a switch to dollars could be achieved.

One would be to increase the dollar proportion in the currency basket offered to borrowers. This could increase to 70 per cent from the current 33 per cent in three to five years.

Another would be to open various currency windows, which would allow borrowers to use the currency of their choice and within which the dollar would probably be the most popular.

The management is uncomfortable about providing dollar loans priced according to US money market rates, because such Libor-based borrowings would be volatile and accentuate existing exposure of borrowers to US money market rates.

Loans which carry an interest rate based on the weighted cost of the bank's dollar portfolio would be less volatile.

Mr Sethness said the bank wants to keep access to non-dollar markets.

"We'd like to keep access to non-dollar markets for between 20 and 30 per cent of our borrowings," he said.

This could be difficult at times, particularly if swap opportunities were not available. An increased use of swaps would also increase counterparty risk, Mr Santistevan pointed out.

Westpac Banking raises $500m

By Samer Iskandar

The primary bond market was extremely quiet yesterday, ahead of this year's first long weekend.

The largest deal, totalling $500m, was issued by Westpac Banking Corp. Paying a coupon of Libor flat, the paper "is definitely not cheap", said one trader but BZW, the lead manager, said it saw good demand for short maturities, while most existing AA rated issues in dollars are yielding less than Libor.

Some 70 per cent of the issue was placed in Europe and the rest in Asia, but BZW was expecting more demand overnight from the Far East.

Argentina launched its fifth issue in as many weeks. Capitalising on the success of its latest deal in D-Marks, the South American republic offered a new tranche of its five-year bonds in Austrian schillings, increasing the total amount to Sch1bn.

INTERNATIONAL BONDS

However, some market participants believe there now is an oversupply of Argentine paper. One trader even warned that "Argentina [could be] pushing its luck too far".

Lebanon has decided to issue a new $100m tranche fungible with its five-year eurobond launched last summer.

The new paper will bring the amount of the issue to $400m, and the country's total eurobond issuance to $800m, which is the limit of foreign borrowing that parliament has imposed on the government.

According to Paribas, the lead manager, which is planning to launch the issue sometime next week, the decision was motivated by demand, mainly from retail investors in Switzerland and the Benelux region, but also from some emerging markets funds.

Last July's issue was priced at 320 basis points over US Treasuries and has tightened since to around 300 points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Westpac Banking Corp‡	500	(a)	100.00R	Apr 1998	0.10R	-	Barclays de Zoete Wedd
Skandia Insurance Co(b)‡	115	(b1,s)	100.00	Sep 2006	0.65	-	Chemical/JP Morgan
ICF 2, Class 1(c)‡	70	(c1)	99.838	Jun 2002	0.625	-	Morgan Stanley & Co Intl
SWISS FRANCS							
Nestlé Australia(d)	100	3.00	101.20	Dec 2000	2.00	-	UBS
ABB International Finance(e)	100	4.125	105.00	Mar 2001	2.00	-	Credit Suisse
LUXEMBOURG FRANCS							
Eurofima(f)	2bn	6.375	102.30	Oct 2004	1.875	-	BGL
CANADIAN DOLLARS							
Bayerische Hypobank(s)	100	6.625	99.52R	Dec 1999	0.225R	+5(7¾%-99)	Hambros Bank
AUSTRALIAN DOLLARS							
Kingdom of Denmark+	60	7.75#	100.00	Apr 1999	0.75	-	LTCB International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Callable from 1/9/01 at par. b1) 12-mth Libor +90bp to 1/9/01 and +240bp thereafter. c) Indosuez Capital Funding. Fungible with $215m. No accrued. Average life: 4.25 yrs. c1) 6-mth Libor +27½bp. d) Fungible with SFr200m. Plus 58 days accrued. e) Fungible with SFr125m. Plus 51 days accrued. f) Long 1st coupon. s) Short 1st coupon.

In a new market-liberalising move, the Japanese ministry of finance yesterday shortened the "lock-up" period on domestic sales of Euroyen bonds by Japanese issuers to 40 days. Previously, Japanese investors had to wait 90 days before they could buy new euroyen issues by Japanese borrowers.

A similar "lock-up" period for bonds by foreign borrowers was abolished last year, and all such restrictions are scheduled to be scrapped by April 1998.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.3320	-	8.88	8.96	8.62
Austria		6.125	02/06	97.4700	+0.400	6.48	6.46	6.54
Belgium		7.000	05/06	102.0800	+0.430	6.71	6.81	6.84
Canada *		8.750	12/05	107.8100	+0.610	7.59	7.64	7.46
Denmark		8.000	03/06	103.5000	+0.280	7.49	7.54	7.58
France	BTAN	5.750	03/01	100.2390	+0.239	5.68	5.94	5.79
	OAT	7.250	04/06	105.0700	+0.440	6.54	6.62	6.71
Germany Bund		6.000	02/06	97.1500	+0.310	6.40	6.41	6.36
Ireland		8.000	08/06	99.9000	+0.400	8.00	7.99	7.81
Italy		9.500	02/06	93.8700	+0.580	10.51†	10.44	10.47
Japan	No 129	6.400	03/00	117.1720	-0.010	1.75	1.90	2.07
	No 182	3.000	09/05	99.4140	+0.073	3.08	3.23	3.15
Netherlands		6.000	01/06	97.1700	+0.410	6.39	6.43	6.35
Portugal		11.875	02/05	114.0100	+0.390	9.48	9.55	9.72
Spain		10.150	01/06	102.8800	+0.580	9.65	9.85	9.84
Sweden		6.000	02/05	84.9880	+0.551	8.48	8.64	8.91
UK Gilts		8.000	12/00	102-05	+10/32	7.44	7.43	7.13
		7.500	12/06	95-22	+15/32	8.11	8.08	7.86
		9.000	10/08	106-02	+18/32	8.21	8.20	7.98
US Treasury *		5.625	02/06	94-29	+7/32	6.33	6.26	5.92
		6.000	02/26	91-15	+12/32	6.66	6.58	6.35
ECU (French Govt)		7.500	04/05	103.4060	+0.776	6.98	7.12	7.20

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	5.11	Two year	5.77
Broker loan rate	[illegible]	Two month	5.00	Three year	5.91
Fed funds	5¼	Three month	5.15	Five year	6.10
Fed funds at intervention	[illegible]	Six month	5.21	10-year	6.32
		One year	5.40	30-year	6.66

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	121.86	122.14	+0.44	122.20	121.84	53,324	135,875
Sep	120.62	120.90	+0.44	120.70	120.62	32	4,413
Dec	119.40	119.64	+0.40	119.40	119.40	2	859

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
119	-	-	-	0.07	0.27	-
120	-	2.55	-	0.13	0.40	-
121	-	1.75	1.60	0.29	0.65	1.78
122	0.74	1.11	1.15	0.58	1.04	2.29
123	0.26	0.67	0.78	-	1.55	-

Est. vol. total, Calls 12,013 Puts 8,734. Previous day's open int., Calls 143,160 Puts 158,409

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.35	96.57	+0.38	96.57	96.34	81405	218990
Sep	95.68	95.71	+0.39	95.66	95.65	422	4818

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9650	0.56	0.91	0.70	1.02	0.51	0.84	1.48	1.61
9700	0.34	0.66	0.52	0.82	0.77	1.09	1.81	2.11
9750	0.17	0.46	0.37	0.64	1.10	1.39	2.15	2.43

Est. vol. total, Calls 12176 Puts 13028. Previous day's open int., Calls 223837 Puts 174610

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.30	108.56	+0.49	108.75	108.23	29144	48009
Sep		108.01	+0.49			0	258

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10850	1.56	2.34	1.51	2.83
10900	1.31	2.12	1.76	3.11
10950	1.08	1.81	2.03	3.40

Est. vol. total, Calls 725 Puts 868. Previous day's open int., Calls 57223 Puts 73676

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.50	95.72	+0.55	95.98	95.44	38,467	41,887

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-25	105-09	+0-24	105-10	104-25	35229	114400
Sep		104-06	+0-24			0	165

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
105	0-61	1-27	1-08	1-44	0-43	1-09	1-60	2-32
106	0-33	0-59	0-49	1-19	1-15	1-41	2-37	3-07
107	0-14	0-36	0-32	0-62	1-60	2-18	3-20	3-50

Est. vol. total, Calls 7529 Puts 3824. Previous day's open int., Calls 40700 Puts 39055

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	89.90	90.14	+0.46	90.16	89.80	447	8,020
Sep	-	89.00	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	111-16	111-27	+0-12	111-27	111-15	203,254	353,978
Sep	111-02	111-10	+0-11	111-10	111-00	7,355	17,004
Dec	110-19	110-22	+0-08	110-22	110-19	144	3,788

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	119.72			119.87	119.72	1146	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Apr 1	Day's change %	Fri Mar 29	Accrued interest	xd adj. ytd		Low coupon yield Apr 1	Mar 29	Yr. ago	Medium coupon yield Apr 1	Mar 29	Yr. ago	High coupon yield Apr 1	Mar 29	Yr. ago
1 Up to 5 years (24)	121.38	+0.18	121.17	2.08	2.43	5 yrs	7.54	7.62	8.38	7.59	7.68	8.43	7.69	7.78	8.58
2 5-15 years (19)	145.63	+0.46	144.96	3.29	1.82	15 yrs	8.28	8.34	8.39	8.29	8.36	8.47	8.39	8.44	8.69
3 Over 15 years (9)	158.44	+0.83	157.45	2.23	3.48	20 yrs	8.36	8.41	8.37	8.34	8.41	8.47	8.43	8.48	8.63
4 Irredeemables (6)	181.43	+0.24	181.00	3.46	1.47	Irred.†	8.41	8.43	8.41						
5 All stocks (58)	140.80	+0.39	140.26	2.67	2.36										

Index-linked							Inflation 5% Apr 1	Mar 29	Yr. ago	Inflation 10% Apr 1	Mar 29	Yr. ago
6 Up to 5 years (1)	197.48	+0.08	197.40	3.83	0.00	Up to 5 yrs	2.97	2.97	3.48	1.63	1.63	2.08
7 Over 5 years (11)	185.39	+0.20	185.01	1.34	0.84	Over 5 yrs	3.76	3.77	3.86	3.55	3.57	3.66
8 All stocks (12)	185.53	+0.20	185.18	1.40	0.82							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 01	Mar 29	Mar 28	Mar 27	Mar 26	Yr ago	High*	Low*
Govt. Secs. (UK)	92.29	92.07	91.84	92.38	92.31	91.87	98.34	91.97
Fixed Interest	111.43	110.83	110.80	110.90	110.76	110.83	115.23	110.74

* for 1995/96. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25
Gilt Edged bargains	108.3	115.7	113.3	94.3	105.5
5-day average	107.4	102.7	98.7	95.8	97.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 1

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Other Fixed Interest

CURRENCIES AND MONEY

MARKETS REPORT

Dollar lifted by Japanese investment optimism

By Graham Bowley

The dollar gained ground on the foreign exchanges yesterday amid speculation that Japanese investors are set to raise their purchases of US assets in the new financial year.

It rose to a two-year high against the yen, which was troubled by worries about the stability of the Japanese financial system following the collapse of a regional bank.

The dollar made strong gains against the D-Mark after comments by the German labour minister raised fresh concerns about the state of the German economy.

The French franc rallied to its highest level against the D-Mark since June 1994 due to rising optimism about the French economy and the growing perception that some form of European monetary union would take place in 1999.

The Danish krona weakened slightly against the D-Mark after the Danish central bank cut the country's two week interest rates from 4 per cent to 3.9 per cent. It left the discount and key deposit rates unchanged.

The Italian lira recovered after last week's decline against the D-Mark but analysts said traders remained cautious ahead of elections later this month.

The pound gained against the D-Mark but slipped against the dollar. It finished at DM2.2623, from DM2.2537 at Friday's close. Against the dollar, it closed at $1.5264 from $1.5265.

The dollar finished in London at DM1.4832, from DM1.4764. Against the yen it closed at Y107.5250, from Y106.5.

The French franc closed at FFr3.405 against the D-Mark, from FFr3.410.

■ The possibility that Japanese investors might greet the new financial year by investing heavily in US assets was again the subject of conversation on the foreign exchanges yesterday.

"There is continued confidence that Japanese investors are going to be more aggressive in putting their money to work in the US market," said Mr Paul Meggyesi, currency analyst at Deutsche Morgan Grenfell in London.

The continued strong rally in the Japanese stock market reinforced market optimism that Japanese investors are going to be more aggressive in looking overseas.

Meanwhile, the reported difficulties of the Japanese financial system – with Taiheiyo Bank, a second-tier regional bank, entering liquidation and the Long-Term Credit Bank of Japan under investigation in New York – hastened the yen's decline against the dollar.

Analysts said the difficulties meant the Bank of Japan might need to keep short-term interest rates low in order to protect the domestic banks, which would intensify pressures for Japanese capital to flow overseas.

Mr Meggyesi said the dollar's rally earlier this year had been undermined by expectations that signs of a Japanese economic recovery might mean that Japanese interest rates would have to rise. "But now there is much more confidence that Japanese rates are to stay low," he said.

But Mr Mark Cliffe, economist at HSBC Markets in London, said he doubted that Japanese capital flows into the US would be significant.

"We think these hopes are overdone," he said. He said there had been similar expectations of large outflows in October last year after the Japanese half-year but that these hopes had been disappointed.

■ Mr Norbert Blüm, the German labour minister, triggered a further round of speculation about the direction of German short-term interest rates when he was reported as saying that unemployment rose again in March. Official unemployment figures for March are not due to be released until next week.

German unemployment rose in February to post-war record levels, heightening expectations that German interest rates would have to be cut soon. But many analysts suspected this was due to bad weather and that employment would recover in March.

Meanwhile, US non-farm employment figures due on Friday remain the main focus of attention this week. An unexpectedly large number last month upset asset markets but most economists expect much weaker job creation to show up this month.

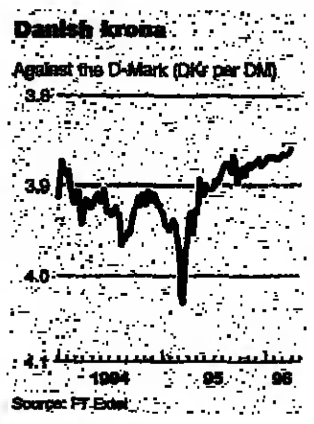
Yesterday's US NAPM survey showed stronger than expected manufacturing activity but had little impact on the dollar.

■ Pound in New York

Apr 1	—Latest—	— Prev. close —
£ spot	1.5250	1.5265
1 mth	1.5243	1.5258
3 mth	1.5229	1.5245
1 yr	1.5154	1.5180

Danish krona

Against the D-Mark (DKr per DM)



Source: FT Extel

■ OTHER CURRENCIES

Apr 1	£	$
Czech Rp	41.5029 - 41.5372	27.2250 - 27.2250
Hungary	233.216 - 234.356	143.750 - 143.800
Iran	4577.10 - 4575.00	3000.00 - 3000.00
Kuwait	0.4563 - 0.4573	0.2992 - 0.2997
Poland	3.9452 - 3.9516	2.5870 - 2.5900
Russia	7435.59 - 7443.89	4876.00 - 4879.00
U.A.E.	5.6005 - 5.6036	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Apr 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9097	+0.0813	027 - 166	15.9174	15.8274	15.8797	2.3	15.7972	2.3	-	-	105.9
Belgium	(BFr)	46.4942	+0.1802	759 - 125	46.5140	46.2670	46.3692	2.7	46.1792	2.7	45.2592	2.7	107.8
Denmark	(DKr)	8.7311	+0.0322	263 - 354	8.7369	8.6974	8.7198	1.6	8.6947	1.7	8.5881	1.6	108.7
Finland	(FM)	7.0605	-0.0132	536 - 673	7.0810	7.0260	7.0581	0.7	7.0545	0.7	-	-	83.2
France	(FFr)	7.7026	+0.0165	003 - 052	7.7068	7.6695	7.6990	1.6	7.6873	1.6	7.5871	1.6	110.0
Germany	(DM)	2.2623	+0.0086	614 - 632	2.2638	2.2558	2.2572	2.7	2.2471	2.7	2.2003	2.7	110.0
Greece	(Dr)	368.647	+1.104	486 - 808	370.526	366.985	-	-	-	-	-	-	66.5
Ireland	(I£)	0.9699	+0.0007	691 - 706	0.9705	0.9660	0.9697	0.9	0.9679	0.8	0.9595	0.7	97.9
Italy	(L)	2393.34	-2.92	206 - 459	2397.18	2388.19	2401.59	-4.1	2416.89	-3.9	2469.39	-3.2	73.8
Luxembourg	(LFr)	46.4942	+0.1802	759 - 125	46.5140	46.2670	46.3692	2.7	46.1792	2.7	45.2592	2.7	107.8
Netherlands	(Fl)	2.5313	+0.0087	303 - 322	2.5345	2.5206	2.5254	2.8	2.5131	2.9	2.4614	2.8	108.2
Norway	(NKr)	9.8287	+0.0392	207 - 366	9.8368	9.7788	9.8197	1.1	9.8006	1.1	9.7049	1.3	98.8
Portugal	(Es)	233.554	+0.656	432 - 676	233.707	233.081	233.979	-2.2	234.884	-2.3	-	-	95.5
Spain	(Pta)	190.155	+0.856	061 - 249	190.261	189.559	190.6	-2.7	191.42	-2.6	194.265	-2.2	81.6
Sweden	(SKr)	10.1809	-0.0418	510 - 703	10.2504	10.1237	10.1821	-0.1	10.1898	-0.1	10.185	-0.1	88.9
Switzerland	(SFr)	1.8236	+0.0084	224 - 247	1.8254	1.8187	1.8172	4.2	1.8045	4.2	1.7477	4.2	114.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.5
Ecu	-	1.2191	+0.0046	185 - 197	1.2198	1.2141	1.2178	1.3	1.2148	1.4	1.2015	1.4	-
SDR†	-	1.04393	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5248	-0.0012	244 - 252	1.5256	1.5240	-	-	-	-	-	-	-
Brazil	(R$)	1.5055	-0.0012	059 - 071	1.5072	1.5053	-	-	-	-	-	-	-
Canada	(C$)	2.0670	-0.0126	661 - 678	2.0736	2.0652	2.0663	0.4	2.0627	0.8	2.0546	0.6	84.8
Mexico	(New Peso)	11.4707	-0.0399	526 - 885	11.4908	11.4517	-	-	-	-	-	-	-
USA	($)	1.5254	-0.0011	250 - 257	1.5261	1.5240	1.5247	0.6	1.5233	0.5	1.5156	0.6	98.0
Pacific/Middle East/Africa													
Australia	(A$)	1.9401	-0.0114	390 - 411	1.9477	1.9375	1.9426	-1.6	1.9477	-1.6	1.9729	-1.7	92.3
Hong Kong	(HK$)	11.7975	-0.007	940 - 010	11.8021	11.7874	11.7694	0.8	11.7778	0.7	11.758	0.8	-
India	(Rs)	51.9362	-0.1155	975 - 748	52.1800	51.8860	-	-	-	-	-	-	-
Israel	(Shk)	4.7406	-0.0236	383 - 448	4.7600	4.7178	-	-	-	-	-	-	-
Japan	(Y)	164.013	+0.983	958 - 068	164.340	163.600	163.286	5.3	161.786	5.4	155.363	5.3	136.1
Malaysia	(M$)	3.8607	+0.0009	590 - 623	3.8670	3.8582	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2218	-0.0184	201 - 234	2.2378	2.2200	2.2208	-2.7	2.2263	-2.6	2.2701	-2.2	107.5
Philippines	(Peso)	39.9186	-0.0453	330 - 039	40.0045	39.9317	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7208	-0.0043	192 - 223	5.7233	5.7181	-	-	-	-	-	-	-
Singapore	(S$)	2.1468	-0.0028	445 - 470	2.1497	2.1442	-	-	-	-	-	-	-
South Africa	(R)	6.1049	+0.0321	023 - 074	6.1086	6.0534	-	-	-	-	-	-	-
South Korea	(Won)	1192.21	-1.89	179 - 264	1193.56	1181.31	-	-	-	-	-	-	-
Taiwan	(T$)	41.5496	-0.0779	364 - 631	41.6131	41.5168	-	-	-	-	-	-	-
Thailand	(Bt)	38.6304	+0.0168	083 - 544	38.5560	38.5010	-	-	-	-	-	-	-

† Rates for Mar 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The FT will not be published on Friday, April 5th. Exchange rates for April 5th will appear in Saturday April 6th edition. Exchange rates for Thursday April 4th will not be published but are available on Cityline 0891 437001

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4302	+0.048	280 - 323	10.4330	10.3950	10.4129	2.0	10.3767	2.1	10.2152	2.1	105.9
Belgium	(BFr)	30.4810	+0.141	760 - 860	30.4980	30.4000	30.428	2.1	30.3215	2.1	29.841	2.1	107.6
Denmark	(DKr)	5.7240	+0.0254	225 - 255	5.7255	5.7085	5.719	1.0	5.709	1.0	5.7315	-0.1	108.2
Finland	(FM)	4.6288	-0.0051	253 - 322	4.6490	4.6099	4.6223	1.7	4.6103	1.6	4.5948	1.4	82.1
France	(FFr)	5.0498	+0.0149	484 - 513	5.0535	5.0300	5.0438	1.4	5.034	1.5	4.9919	1.1	109.5
Germany	(DM)	1.4832	+0.0068	829 - 834	1.4835	1.4782	1.4805	2.2	1.4754	2.1	1.4515	2.1	109.5
Greece	(Dr)	241.680	+0.905	630 - 730	243.000	240.550	243.255	-8.3	246.705	-8.3	260.68	-7.9	86.0
Ireland	(I£)	1.5729	-0.0023	720 - 737	1.5749	1.5710	1.5734	-0.4	1.5737	-0.2	1.5691	0.2	-
Italy	(L)	1569.00	-0.74	850 - 950	1572.23	1565.70	1575.00	-4.6	1588.64	-4.5	1627.34	-3.7	73.0
Luxembourg	(LFr)	30.4810	+0.141	760 - 860	30.4980	30.4000	30.428	2.1	30.3215	2.1	29.841	2.1	107.8
Netherlands	(Fl)	1.6596	+0.007	592 - 597	1.6600	1.6526	1.6564	2.2	1.6502	2.3	1.623	2.2	107.7
Norway	(NKr)	6.4436	+0.0305	398 - 473	6.4476	6.3810	6.4408	0.5	6.4351	0.5	6.3985	0.7	96.1
Portugal	(Es)	153.110	+0.545	070 - 160	153.200	152.740	153.43	-2.5	154.02	-2.4	156.165	-2.0	95.5
Spain	(Pta)	124.670	+0.55	650 - 690	124.890	124.290	125.01	-3.3	125.58	-2.9	128.05	-2.7	81.6
Sweden	(SKr)	6.6614	-0.0223	567 - 660	6.7167	6.6357	6.6675	-1.1	6.6899	-1.7	6.7319	-1.1	87.8
Switzerland	(SFr)	1.1955	+0.0061	950 - 960	1.1960	1.1910	1.1919	3.7	1.1847	3.8	1.1527	3.6	114.3
UK	(£)	1.5254	-0.0011	250 - 257	1.5261	1.5240	1.5247	0.6	1.5233	0.5	1.5156	0.6	83.0
Ecu	-	1.2512	-0.0058	509 - 515	1.2549	1.2509	1.252	-0.7	1.2536	-0.8	1.2625	-0.9	-
SDR†	-	0.68436	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	-	996 - 997	1.0000	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9877	-	875 - 878	0.9882	0.9875	-	-	-	-	-	-	-
Canada	(C$)	1.3551	-0.0074	548 - 553	1.3591	1.3538	1.3549	0.1	1.3552	0.0	1.358	-0.2	83.5
Mexico	(New Peso)	7.5200	-0.0205	100 - 300	7.5350	7.4950	7.5222	-0.4	7.5254	-0.3	7.6303	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2718	-0.0065	715 - 723	1.2763	1.2713	1.2738	-1.8	1.2773	-1.7	1.296	-1.9	92.8
Hong Kong	(HK$)	7.7343	+0.0013	338 - 348	7.7348	7.7337	7.735	-0.1	7.7368	-0.1	7.7888	-0.4	-
India	(Rs)	34.0500	-0.05	000 - 000	34.2500	33.9000	34.2	-5.3	34.505	-5.3	35.975	-5.7	-
Israel	(Shk)	3.1079	-0.0131	058 - 099	3.1413	3.0927	-	-	-	-	-	-	-
Japan	(Y)	107.525	+0.725	500 - 550	107.680	107.310	107.08	5.0	106.18	5.0	102.44	4.7	136.1
Malaysia	(M$)	2.5310	+0.0025	305 - 315	2.5330	2.5300	2.5319	-0.4	2.539	-1.1	2.5815	-1.2	-
New Zealand	(NZ$)	1.4565	-0.0117	558 - 573	1.4594	1.4554	1.4586	-2.6	1.4654	-2.4	1.49	-2.3	-
Philippines	(Peso)	26.1700	-0.01	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4067	-0.0008	062 - 072	1.4090	1.4057	1.4032	3.0	1.3972	2.7	1.3717	2.5	-
South Africa	(R)	4.0023	+0.024	015 - 030	4.0045	3.9705	4.031	-8.6	4.0826	-8.0	4.3056	-7.6	-
South Korea	(Won)	781.600	-0.65	500 - 700	782.700	781.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.2395	-0.0305	370 - 420	27.2750	27.2340	27.2395	-0.9	27.2995	-0.9	-	-	-
Thailand	(Bt)	25.2600	+0.03	500 - 700	25.2700	25.2500	25.3588	-4.7	25.5625	-4.9	26.445	-4.7	-

† SDR rate per $ for Mar 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 29: Base average 1990=100. The FT will not be published on Friday, April 5th. Exchange rates for April 5th will appear in Saturday April 6th edition. Exchange rates for Thursday April 4th will not be published but are available on Cityline 0891 437001

WORLD INTEREST RATES

MONEY RATES

April 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	3⅜	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	4	4	[illegible]	[illegible]	[illegible]	3.80	-	5.60
week ago	[illegible]	4	[illegible]	[illegible]	4½	3.80	-	5.60
Germany	[illegible]	3⅜	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	3⅜	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	5⅞	-	-	6.25
week ago	5⅛	[illegible]	5⅛	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	9¾	[illegible]	-	9.00	9.98
week ago	9⅞	[illegible]	9¾	[illegible]	[illegible]	-	9.00	9.95
Netherlands	3	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	3⅛	3¼	-	3.00	3.30
Switzerland	1⅝	1⅝	[illegible]	1¾	2	5.00	1.50	-
week ago	1½	1⅝	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	5⅜	5¼	5¼	[illegible]	5⅜	-	5.00	-
week ago	5¼	5⅜	5½	5⅝	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	5½	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.12	5.13	5.21	5.44	-	-	-
week ago	-	5.12	5.10	5.18	5.40	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	4⅝	-	-	-
week ago	-	[illegible]	4⅝	4⅝	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	3⅜	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	3½	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	3⅛ - 3	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	4⅛ - 4	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	8½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	6 - 6⅞	6 - 5⅞	6 - [illegible]	[illegible] - 6	[illegible]	[illegible]
Swiss Franc	1⅝ - 1½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible] - 5	5 - [illegible]	5 - 4⅞	[illegible]	5¼ - [illegible]	[illegible]
US Dollar	5½ - 5⅜	5⅜ - 5¼	5⅜ - [illegible]	5⅜ - [illegible]	[illegible] - 5¼	5⅜ - [illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 9¼	9¼ - [illegible]
Yen	[illegible] - ½	[illegible]	[illegible]	[illegible]	[illegible]	⅞ - [illegible]
Asian $Sing	1⅞ - 1¾	1⅞ - 1¾	2⅛ - 2	2¼ - 2⅛	[illegible]	2¼ - 2⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.69	95.76	+0.09	95.77	95.70	29,857	58,835
Sep	95.65	95.71	+0.11	95.72	95.65	9,950	48,227
Dec	95.48	95.55	+0.11	95.58	95.48	4,599	23,809

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.77	96.79	+0.02	96.79	96.77	10747	226103
Sep	96.69	96.70	+0.03	96.71	96.68	12903	224629
Dec	96.41	96.45	+0.06	96.45	96.41	14749	178065
Mar	96.06	96.11	+0.07	96.12	96.06	9205	113548

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	90.37	90.39	+0.05	90.43	90.37	8341	42409
Sep	90.79	90.81	+0.08	90.83	90.76	2358	20485
Dec	90.88	90.90	+0.07	90.92	90.87	1132	15738
Mar	90.83	90.85	+0.07	90.88	90.83	378	7743

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.30	98.30	+0.02	98.33	98.28	4792	27287
Sep	98.17	98.18	+0.03	98.20	98.17	2130	12956
Dec	97.81	97.90	+0.02	97.92	97.89	1214	10834
Mar	97.59	97.59	+0.02	97.62	97.59	325	3069

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.48	95.48	-	95.49	95.48	606	8542
Sep	95.45	95.46	+0.03	95.46	95.45	245	3461
Dec	95.24	95.26	+0.05	95.26	95.24	111	2987
Mar	94.94	94.93	+0.04	94.94	94.94	11	1792

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9025	0.40	0.84	1.01	0.26	0.28	0.36
9050	0.26	0.67	0.84	0.37	0.36	0.44
9075	0.15	0.52	0.68	0.51	0.46	0.53

Est. vol. total, Calls 1280 Puts 250. Previous day's open int., Calls 19206 Puts 10580

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.57	4.866	2.086	5147	5.444	21.14	502.5	409.1	21.85	3.923	2.151	4.446	3.280	352.8	2.622
Denmark	(DKr)	53.25	10	8.823	2.591	1.111	2741	2.899	11.26	267.6	217.8	11.64	2.089	1.145	2.367	1.747	187.8	1.396
France	(FFr)	60.35	11.33	10	2.937	1.259	3107	3.286	12.76	303.3	246.9	13.19	2.368	1.298	2.683	1.980	212.9	1.583
Germany	(DM)	20.55	3.860	3.405	1	0.429	1058	1.119	4.345	103.3	84.08	4.492	0.806	0.442	0.914	0.674	72.50	0.539
Ireland	(I£)	47.93	9.001	7.941	2.332	1	2467	2.609	10.13	240.8	196.1	10.47	1.880	1.031	2.131	1.572	169.1	1.257
Italy	(L)	1.943	0.365	0.322	0.095	0.041	100.	0.106	0.411	9.762	7.948	0.425	0.076	0.042	0.086	0.064	6.853	0.051
Netherlands	(Fl)	18.37	3.450	3.043	0.894	0.383	945.5	1	3.883	92.30	75.15	4.014	0.721	0.395	0.817	0.603	64.80	0.482
Norway	(NKr)	47.30	8.883	7.837	2.301	0.987	2435	2.575	10	237.7	193.5	10.34	1.856	1.017	2.103	1.552	166.9	1.240
Portugal	(Es)	19.90	3.738	3.298	0.968	0.415	1024	1.083	4.208	100.	81.42	4.349	0.781	0.428	0.885	0.653	70.21	0.522
Spain	(Pta)	24.44	4.590	4.050	1.189	0.510	1258	1.331	5.168	122.8	100.	5.342	0.959	0.526	1.087	0.802	86.23	0.641
Sweden	(SKr)	45.76	8.594	7.582	2.226	0.955	2355	2.491	9.674	229.9	187.2	10	1.795	0.984	2.034	1.501	161.4	1.200
Switzerland	(SFr)	25.49	4.787	4.223	1.240	0.532	1312	1.388	5.389	128.1	104.3	5.570	1	0.548	1.133	0.836	89.91	0.668
UK	(£)	46.49	8.731	7.703	2.262	0.970	2393	2.531	9.829	233.6	190.2	10.10	1.824	1	2.067	1.525	164.0	1.219
Canada	(C$)	22.49	4.224	3.727	1.094	0.469	1158	1.224	4.755	113.0	92.02	4.915	0.882	0.484	1	0.738	79.34	0.590
US	($)	30.49	5.725	5.051	1.483	0.636	1569	1.660	6.445	153.2	124.7	6.662	1.196	0.656	1.355	1	107.5	0.799
Japan	(Y)	28.35	5.324	4.697	1.379	0.591	1459	1.543	5.993	142.4	116.0	6.195	1.112	0.610	1.260	0.930	100.	0.743
Ecu		38.14	7.162	6.318	1.856	0.796	1963	2.076	8.063	191.6	156.0	8.336	1.496	0.820	1.696	1.251	134.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6794	0.6771	-0.0031	0.6794	0.6771	24,079	52,400
Sep	-	0.6814	-0.0025	-	0.6814	12	2,115
Dec	-	0.6855	-0.0021	-	0.6855	3	192

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8460	0.8428	-0.0036	0.8460	0.8425	14,998	28,441
Sep	0.8511	0.8510	-0.0030	0.8513	0.8510	30	600
Dec	-	0.8616	-	-	-	2	504

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9400	0.9388	-0.0038	0.9415	0.9383	35,705	71,409
Sep	0.9517	0.9504	-0.0035	0.9518	0.9504	234	1,707
Dec	0.9620	0.9620	-0.0032	0.9620	0.9620	288	1,274

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5244	1.5220	-0.0038	1.5244	1.5220	9,820	48,945
Sep	-	1.5210	-0.0024	-	1.5210	3	39
Dec	-	1.5190	-0.0020	-	1.5190	3	32

UK INTEREST RATES

LONDON MONEY RATES

Apr 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 1	0 - 5⅞	0 - 5⅞	6⅛ - 6	[illegible]	6½ - 6⅜
Sterling CDs	-	-	6 - [illegible]	[illegible]	[illegible] - 6	[illegible]
Treasury Bills	-	-	[illegible] - 5⅞	[illegible] - 5¾	-	-
Bank Bills	-	-	[illegible] - 5⅞	5⅞ - [illegible]	5⅞ - [illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6 - 5	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	0	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Mar 29, 5.7899pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 29, 1996. Agreed rate for period Apr 26, 1996 to May 25, 1996, Schemes II & III 7.39pc. Reference rate for period Mar 1, 1996 to Mar 29, 1996, Schemes IV & V 6.153pc. Finance House Base Rate 6.5pc from April 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.94	93.94	+0.02	93.95	93.93	6558	78743
Sep	93.75	93.77	+0.04	93.78	93.74	8063	60308
Dec	93.38	93.41	+0.06	93.42	93.38	6804	63950
Mar	92.95	92.98	+0.07	92.99	92.95	2571	37819
Jun	92.58	92.63	+0.09	92.63	92.56	1410	31585

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9375	0.24	0.27	0.27	0.05	0.25	0.61
9400	0.09	0.15	0.18	0.15	0.38	0.77
9425	0.02	0.08	0.11	0.33	0.56	0.95

Est. vol. total, Calls 1360 Puts 3011. Previous day's open int., Calls 111617 Puts 105191

EMS EUROPEAN CURRENCY UNIT RATES

Apr 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.338	+0.107	-1.94	4.71	14
Netherlands	2.15214	2.12100	+0.00131	-1.45	4.18	11
Belgium	39.3960	38.9548	+0.0328	-1.12	3.84	8
Austria	13.4383	13.3314	+0.0126	-0.80	3.50	8
Germany	1.91007	1.89570	+0.00177	-0.75	3.45	7
Portugal	195.792	195.685	+0.042	-0.05	2.73	0
Denmark	7.28580	7.31694	+0.0055	0.43	2.24	-3
France	6.40608	6.46037	+0.00246	0.85	1.81	-7
Ireland	0.792214	0.813407	-0.002184	2.68	0.00	-18
NON ERM MEMBERS						
Greece	292.867	309.169	-0.012	5.57	-2.74	-
Italy	2106.15	2007.03	-8.61	-4.71	7.75	-
UK	0.786652	0.838956	-0.002405	6.65	-3.73	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.500	2.52	2.85	3.34	0.05	0.38	0.93
1.510	1.67	2.17	2.69	0.18	0.63	1.28
1.520	0.91	1.55	2.17	0.32	1.00	1.69
1.530	0.39	1.05	1.68	0.79	1.51	2.21
1.540	0.11	0.67	1.27	1.50	2.13	2.74
1.550	-	0.39	0.94	2.38	2.80	3.40

Previous day's vol., Calls 8,719 Puts 14,587 . Prev. day's open int., Calls 182,145 Puts 181,678

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.59	94.59	-	94.60	94.59	40,660	418,430
Sep	94.48	94.48	+0.02	94.48	94.45	77,631	338,996
Dec	94.25	94.28	+0.03	94.29	94.25	88,686	318,652

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.08	95.09	-	95.09	95.08	754	9,467
Sep	94.92	94.93	+0.01	94.93	94.92	230	3,516
Dec	-	94.78	+0.02	94.78	-	0	229

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9675	0.07	0.10	0.12	0.18	0.03	0.06	0.08	0.21
9700	0.01	0.02	0.03	0.06	0.22	0.23	0.24	0.36
9725	0	0	0.01	0.02	0.46	0.45	0.47	0.57

Est. vol. total, Calls 5134 Puts 3156. Previous day's open int., Calls 330214 Puts 291033

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.14	0.17	0.15	0.09	0.24	0.50
9850	0.04	0.08	0.07	0.24	0.40	0.67
9875	0.01	0.03	0.02	0.46	0.60	0.87

Est. vol. total, Calls 300 Puts 0. Previous day's open int., Calls 3065 Puts 3045

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.25	•Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
•Henry Ansbacher	6.00	•Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	•Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00		
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	•Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

• Members of London Investment Banking Association
* In administration

WOOLWICH
- Building Society -

£175,000,000
Floating rate notes due 1997

Notice is hereby given that the notes will bear interest at 6.3125% per annum from 29 March 1996 to 28 June 1996. Interest payable on 28 June 1996 will amount to £156.95 per £10,000 note and £1,569.50 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

CONTRACTS & TENDERS

MOD ARMED FORCES PERSONNEL ADMINISTRATION AGENCY PFI OPPORTUNITY

Subject to consultation, the Ministry of Defence intends to establish an Armed Forces Personnel Administration Agency (AFPAA) responsible for aspects of Armed Forces personnel administration, including pay and pensions delivery, and tasked with progressively introducing harmonised systems, eventually leading to full integration.

The Ministry of Defence seeks to enter into a partnering arrangement, in all probability through a single prime contractor, who will take on continuing delivery of a number of personnel administration services on behalf of the Agency. The contractor will also be responsible for identifying and delivering an agreed programme of harmonisation of the Services' personnel administration processes and systems. Security constraints will apply to some of the work. It is intended that the partnering arrangement will be an innovative one, with opportunities available for suppliers to suggest additional value for money activities.

The Ministry of Defence wishes to identify the potential for private sector involvement consistent with the UK Government's Private Finance Initiative (PFI). It will be for the private sector to determine the method of funding required as well as providing the innovation, technology and expertise to deliver the services to the required standard.

A briefing day has been arranged for 1 May 1996 at which bidders will be able to gain a better understanding of the opportunity and discuss the project with MOD staff. The briefing will be held at Northumberland House, Northumberland Avenue, London. To register your interest in the above major business opportunity and to receive an invitation to attend the briefing day along with an Information Pack and Pre-Qualification Questionnaire please contact:

AFPAA Team, Room 412
Northumberland House,
Northumberland Avenue
LONDON WC2N 5BP
Fax: 0171 218 9243

Prospective bidders may wish to note that it is the intention of the Ministry of Defence to provide an outline specification for the required services to companies who successfully pre-qualify and to seek indicative bids prior to short-listed tenderers being invited to negotiate.

Interested parties should note that a notice was despatched to the Official Journal of the European Communities on 20 March 1996.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	+1	[illegible]	476½	[illegible]	6.0	17.6
Bulmer (HP)	[illegible]	[illegible]	+½	[illegible]	401	[illegible]	2.5	19.3
Burn St Dist	[illegible]	115	----	140	88	66.2	5.5	24.5
Grand Met	[illegible]	421	-1	[illegible]	374	[illegible]	4.4	18.1
Guinness	[illegible]	[illegible]	-½	[illegible]	435	[illegible]	4.0	15.8
Highland	[illegible]	344	----	[illegible]	315	[illegible]	2.9	15.6
Kirin Y	[illegible]	[illegible]	+12	[illegible]	621	[illegible]	0.8	31.4
Macallan-Glen	[illegible]	161	+10	217	150	[illegible]	1.1	[illegible]
Macdon Martin A	[illegible]	[illegible]	----	[illegible]	600	[illegible]	2.2	17.8
Matthew Clark	[illegible]	725	-1	737	569	[illegible]	3.8	-
Merrydown	[illegible]	100	----	140	60	11.2	2.4	-
Seagram S		£27⅛	+⅛	[illegible]	[illegible]	6,091	1.3	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		[illegible]	----	[illegible]	[illegible]	6.31	10.9	-
Cater Allen	[illegible]	448	----	[illegible]	421	140.0	8.4	7.4
Close Bros	[illegible]	371	----	[illegible]	[illegible]	453.0	3.0	16.5
Gerrard & Nat	[illegible]	403	----	472	389	101.1	7.6	13.6
Hambros	[illegible]	[illegible]	+5	230	188	400.5	3.8	-
7½pc Cv Pf		110	+3	115	94½	141.7	8.5	-
King & Shaxson	[illegible]	101	----	109	85	41.4	7.2	12.2
Leopold J	[illegible]	450	----	463	353	23.9	5.2	15.5
Rea Brothers	[illegible]	[illegible]	-½	67	44	28.0	2.2	[illegible]
Schroders	[illegible]	[illegible]	[illegible]	[illegible]	1022	[illegible]	1.7	16.8
NV	[illegible]	[illegible]	+10	[illegible]	890	414.8	2.1	13.2
Singer & Fried	[illegible]	100	----	113	81	167.6	5.1	7.6
8¼pc Cv Ln 09/14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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صكنا من الاهل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.
[illegible]

OTHER INVESTMENT TRUSTS
[illegible]

INVESTMENT COMPANIES
[illegible]

LEISURE & HOTELS
[illegible]

LEISURE & HOTELS - Cont.
[illegible]

LIFE ASSURANCE
[illegible]

MEDIA
[illegible]

OIL EXPLORATION & PRODUCTION
[illegible]

OIL, INTEGRATED
[illegible]

OTHER FINANCIAL
[illegible]

OTHER FINANCIAL - Cont.
[illegible]

PAPER, PACKAGING & PRINTING
[illegible]

PHARMACEUTICALS
[illegible]

PROPERTY
[illegible]

PROPERTY - Cont.
[illegible]

RETAILERS, FOOD
[illegible]

RETAILERS, GENERAL
[illegible]

RETAILERS, GENERAL - Cont.
[illegible]

SUPPORT SERVICES
[illegible]

SUPPORT SERVICES - Cont.
[illegible]

TELECOMMUNICATIONS
[illegible]

TEXTILES & APPAREL
[illegible]

TOBACCO
[illegible]

TRANSPORT
[illegible]

WATER
[illegible]

AIM
[illegible]

AIM - Cont.
[illegible]

AMERICANS
[illegible]

CANADIANS
[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	—	£34½	£29½	1,985	3.0	Φ
Barlow	§	£8⅞	—	£10⅜	£5⅝	1,847	1.7	Φ
Energy Africa		170½	—	174	169¾	166.4	-	-
Gold Fids Prop R		143xd	—	178	136	14.6	6.9	9.7
NK Props		90	—	90	65	3.62	11.6	-
SASOL	♥	631	—	648	475	3,885	2.0	-
SA Brews		£28¾	—	£28⅞	£16⅝	6,111	1.5	30.2
Standard Bank	□	£29½	+½	£32⅞	£20⅞	3,532	1.5	22.0
Tiger Oats		1082	—	1270	850	1,597	1.7	Φ
Tongaat-Hulett	†	898	—	1247	685	805.0	1.9	19.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on RNS 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 21(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- [symbol] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- [symbol] Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الاصل

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Gilts help Footsie move smoothly through 3,700

By Steve Thompson,
UK Stock Market Editor

Perceived good news on the domestic economy, the usual daily dose of takeover speculation and a very strong performance by gilts combined to drive share prices sharply higher yesterday.

Such was the mood in London that the FT-SE 100 index skipped through 3,700 with relative ease, closing a net 18.7 higher at 3,718.4. The Footsie has been burdened in recent sessions by worries about the impact on the public sector borrowing requirement and the balance of payments of the BSE scare.

It has also been restrained, dealers said, by a substantial sell-side programme, lasting for three days, part of a Europe-wide trade which ended last Friday.

In a reversal of the trend of most of this year, the FT-SE Mid 250 index had to cope with a much more difficult trading session. It finished the day 0.2 higher at 4,326.9, having been in negative ground for much of the session.

It was the marked strength of gilts which provided the real driving force for equities. A late rally in US Treasury bonds on Friday evening, plus a strong showing by German bunds at the outset, saw gilts make good progress.

The UK purchasing managers' survey for March was the source of much of the market's enthusiasm, indicating a slowing economy and minimal inflationary pressures and encouraging the feeling around the markets that the next move in UK interest rates may be down.

Mr Kenneth Clarke, chancellor of the exchequer, is scheduled to meet Mr Eddie George, governor of the Bank of England, on Wednesday to discuss monetary policy. The chances of a rate cut in the wake of the meeting were said to be minimal, but dealers said the day's news would be seen as bullish for rate cuts in the future.

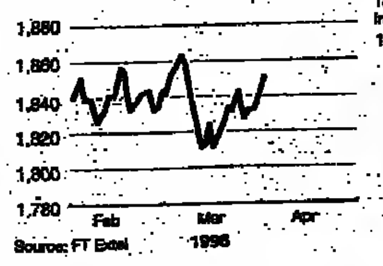
There was plenty of uncertainty in the market at the outset of trading, when marketmakers lowered their opening quotations for most of the leaders in a precautionary move after last Friday's sharp decline on Wall Street. Then the Dow Jones Industrial Average fell more than 50 points, shortly before the close, before stabilising and settling 43 points lower on the session.

Very little selling pressure ensued in London, and the market quickly regained its poise, moving smoothly into the black an hour after the opening and thereafter cruising ahead to close not far short of the day's best, 3,720.0. Sentiment during the afternoon was given a big push by a strong opening on Wall Street, which was up some 25 points, before coming off and then moving up again.

The BT and Cable and Wireless merger story remained the market's main talking point and the City's enthusiasm about a deal between the two telecoms giants drove both share prices sharply higher, in C&W's case to equal the stock's all-time peak.

And activity in BT and C&W provided more than 6 per cent of the market's overall turnover, which reached 662.1m shares at 6pm. Customer activity on Friday topped £2bn for the third successive trading session, coming out at £2.09bn, heavily boosted by the Morgan Stanley trading programme.

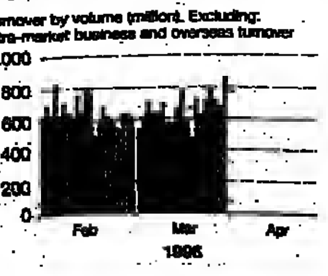
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3718.4	+18.7	FT Ordinary index	2781.0	+13.0
FT-SE Mid 250	4326.9	+0.2	FT-SE-A Non Fins p/e	17.05	16.41
FT-SE-A 350	1871.2	+7.4	FT-SE 100 Fut Jun	3730	+22
FT-SE-A All-Share	1850.22	+6.78	10 yr Gilt yield	8.09	8.16
FT-SE-A All-Share yield	3.80	3.81	Long gilt/equity yld ratio:	2.22	2.23

Best performing sectors

1 Telecommunications ......+2.6
2 Utilities ......+1.4
3 Media ......+1.4
4 Electricity ......+1.2
5 Engineering ......+0.9

Worst performing sectors

1 Tobacco ......-1.3
2 Oil: Integrated ......-1.1
3 Alcoholic Beverages ......-0.9
4 Mineral Extraction ......-0.8
5 Water ......-0.8

Warrants action in Orange

Anticipation that Orange, the mobile phone group, is about to get the green light from fund managers prompted a pre-emptive strike by one broker yesterday.

Credit Lyonnais Laing issued 30m covered warrants in the stock. The 18-month warrants, at 48.4p each, give the option to buy Orange shares at any time until September next year for 225p.

Orange is expected to go straight into the Footsie at the Actuaries Steering Committee meeting in June. So, although the premium for the shares has been eroded since trading began a couple of weeks ago, Orange is likely to be an essential ingredient for investment funds which need a weighting in Footsie stocks.

Laing believes that when investors get a good feel for the way Orange is going, demand will heavily outstrip supply. It said the warrants issue provides a method of increasing liquidity. And because the warrants are "covered", any warrants sold have to be matched by stock bought in the market.

Yesterday Orange when-issued shares moved forward 4 to 225½p on turnover of 11m. British Aerospace, which has a big stake in Orange, rose 14 to 873p. BAe shares were further helped by a French press report that Aerospatiale is considering a merger with BAe and Daimler Aerospace, all members of Airbus, to reach critical mass to compete with US groups. BAe also announced some job cuts yesterday.

Reuters record

Reuters Holdings leapt to a record closing high on speculation that some sort of return of value to shareholders is imminent.

The idea was sparked by news that Reuters has moved the date of its first-quarter figures forward by 10 days to coincide with the timing of the annual meeting on April 16. The inference is that an announcement is imminent. The shares ended the day 13 higher at 724p.

RBoS takes heart

Royal Bank of Scotland shares, which experienced something of a Culloden massacre last week following savage downgrades by both its brokers, showed a braver heart yesterday.

The shares bounced back 16½ to 504p after positive comment in the weekend press and support from Merrill Lynch, which told clients that they had been oversold.

Merrill believes that the shares become an attractive proposition under 500p and will become further underpinned when the persistent takeover speculation, which has surrounded the bank, returns.

Bid stories have seeped back into the market following the revelations that BT and Cable and Wireless could merge. Those two stocks were heavily traded again, although sources close to the companies suggested that further developments were at least a fortnight away.

BT rose 13 to 382½p on turnover of 27m shares, while C&W added 6 at 538p with 14m traded, the two stocks representing more than 6 per cent of the market turnover.

Takeover talk also returned to some insurers, helping Guardian Royal Exchange rise 3 to 223p and Willis Corroon gain 4 to 165p.

Food manufacturer Cadbury Schweppes was under pressure as the market tried to assess the likely impact of Coca-Cola's decision to stop bottling three of its US brands.

The shares were among the day's worst performers after shedding 11 to 490p. One analyst, who refused to be named, said: "Today's fall is natural and understandable caution on the part of the market as it may be a precursor to Coca-Cola dropping Cadbury's other brands. This would make things difficult for Cadbury as it would not be easy to find an alternative bottler for the bigger brands."

Coca Cola is bottled in the UK by a joint venture run with Cadbury. Sentiment in the UK stock was further weakened by the prospect of a cola war when Pepsi unveils its new advertising campaign.

NatWest Securities said: "In our view, the stock will mark time for a few months: all eyes will then be on the summer."

Bass advanced 8¼ to 756¼p on the strength of press reports that the brewing and leisure group is stalking William Hill, the betting shop chain. Ladbroke, which has been the subject of Bass takeover rumours, was dented by the speculation. Its shares relinquished 5¼ to end at 189p.

Granada rose 11 to 761p in the afterglow of Friday's appointments of Mr Gerry Robinson as chairman and Mr Charles Allen as chief executive and on reports of its plans to expand its TV operations.

Burmah Castrol, the oil group, improved 10 to 1067p on what one seasoned specialist described as "a robust set of figures that satisfied the market and generated small increases in consensus forecasts". Another analyst, Ms Irene Himona of SGST, was more enthusiastic, arguing for a virtually guaranteed 10 per cent increase in dividends and earnings.

The share price of Kingfisher, the retailer, fell by 6 to 563p after the company announced that B&Q, its DIY chain, is to offer its customers points on Tesco's Clubcard loyalty card. From today, 6.5m Tesco Clubcard members can earn points towards Clubcard money-off vouchers at 548 Tesco stores and B&Q's 260 Supercentres.

USM-quoted ML Laboratories dropped 13 to 428p after the company announced that a collaboration agreement with Fresenius had been dropped because the two companies were unable to agree on "operational and economical terms".

BAT Industries shed 6½ to 477p on continued nervousness over a $4bn lawsuit filed by the state of Texas.

Vodafone gained 6½ to 249p after the mobile phone group said its subscriber base in the UK at the end of March 1996 had increased by 35 per cent to 2.45m over the year.

Metals group Johnson Matthey put on 19 at 585p, with support from several brokers.

Among Engineering issues, dealers said there was a big buyer of Siebe, which ended 15 ahead at 890p.

A visit last week by several institutions helped Powerscreen International hit an all-time high yesterday. The shares appreciated 13 to 448p.

The prospect of a recovery in the UK housing market boosted Redland 13 to 390p.

In the rest of food manufacturing, Unigate continued to recover from the cattle scare that caused the shares to retreat sharply. They gained 7 to 416p.

Trader African Lakes Corporation fell 19 to 44p before being suspended, after it revealed heavy losses, passed the dividend and said it was seeking additional funds to help repay borrowings.

Conglomerate BTR appreciated 5½ to 321p in trade of 4.4m. NatWest Securities yesterday urged investors to add to holdings.

MARKET REPORTERS:
Peter John, Joel Kibazo, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Apr 01	Mar 29	Mar 28	Mar 27	Mar 26	Yr ago	*High	*Low
Ordinary Share	2781.0	2768.0	2743.9	2744.9	2738.6	2408.5	2807.9	2698.7
Ord. div. yield	3.90	3.92	3.95	3.95	3.98	4.39	4.08	3.76
P/E ratio net	16.46	16.41	16.29	16.28	16.24	16.57	17.25	15.86
P/E ratio nil	16.17	15.09	15.97	15.96	15.92	16.48	17.03	15.76

Ordinary Share index since compilation: high 2807.9 05/03/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2783.5	2768.4	2771.3	2775.8	2778.6	2777.7	2776.9	2777.5	2781.7	2781.7	2763.5

	Apr 01	Mar 29	Mar 28	Mar 27	Mar 26	Yr ago
SEAQ bargains	45,817	44,410	45,406	42,771	45,131	37,300
Equity turnover (£m)†	-	2090.6	2907.4	2565.7	1891.8	1323.0
Equity bargains†	-	48,875	54,897	50,407	52,887	57,948
Shares traded (mil)†	-	742.1	966.1	858.9	689	696.1

†Excluding intra-market business and overseas turnover.

	Apr 01	Mar 29	Mar 28	Mar 27	Mar 26	Yr ago	*High	*Low
FT-SE AIM	988.00	988.90	990.96	994.50	996.00	-	1054.92	965.68

*For 1995/96.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	917	Total Highs	150	Total contracts	31,864
Total Falls	439	Total Lows	31	Calls	21,279
Same	1,529			Puts	10,585

Apr. 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3705.0	3730.0	+22.0	3738.0	3705.0	6134	59953
Sep	3740.0	3738.0	+12.0	3740.0	3740.0	70	2340

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4320.0	+7.0			0	3514

■ FT-SE 100 INDEX OPTION (LIFFE) (*3720) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Apr	179½	3½	133½	6½	88	13½	51	27	24½	51½	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	190½	15	148	23	110½	34½	78½	52½	51½	75½	31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	209	31½	170½	43	134	56	102½	74½	75	97½	52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	225	44½	187½	56½	155½	74½	124½	93½	98	117	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†			259	107½			197½	144½			150½	[illegible]			[illegible]	[illegible]

Calls 7,226 Puts 4,349

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Apr	201½	3	153½	5½	108½	10	68½	19½	37	38	16½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	212	12	169½	18½	129½	28	93½	42	63	61	39½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	234½	32½	195½	42½	157	53½	121½	67	90	85½	64½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	265	60			195	87			139	128			[illegible]	[illegible]		
Dec†	314	85			250	117			192	155			[illegible]	[illegible]		

Calls 3,751 Puts 886 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.28	16	6	Broadcastle Wrts	14	-1	-	-	-	-
55	F.P.	63.1	60	56	Chelsea Village	00		-	-	-	-
100	F.P.	15.4	137	105	Easynet	108	-10	-	-	-	-
165	F.P.	37.1	183	180	†First Info	183		-	-	-	-
-	F.P.	46.5	55	53	Fleming Wrld Inc	54		4.56	-	0.5	-
-	F.P.	78.4	92	91	Fleming Wrld Unl	91		-	-	5.7	-
154	F.P.	59.5	190	183	Fulmar	180	+2	Lw4.3	2.7	2.8	16.5
-	F.P.	90.7	94½	93½	GT Inc Gwth Tst	94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	27.4	97	86	Hill Sml UK Emg Co	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	1.24	23	21	Hill Sml UK Wrts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
75	F.P.	18.5	88	75½	ILP Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	30.9	143	108	†IOC Intl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	50	23.1	55	49	Life Offices Opport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
145	F.P.	110.7	191	145	Macdonald Hotels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

صكتا من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 1 / Sch)

BELGIUM/LUXEMBOURG (Apr 1 / Frs.)

CZECH REP (Apr 1 / Koruna)

DENMARK (Apr 1 / Kr)

FINLAND (Apr 1 / Mka)

FRANCE (Apr 1 / Frs.)

GERMANY (Apr 1 / Dm.)

GREECE (Apr 1 / Drachma)

ITALY (Apr 1 / Lire)

NETHERLANDS (Apr 1 / Fls.)

NORWAY (Apr 1 / Kroner)

POLAND (Apr 1 / Zloty)

PORTUGAL (Apr 1 / Escudo)

SPAIN (Apr 1 / Pta.)

SWEDEN (Apr 1 / Kronor)

		+/-	High	Low	Yld	P/E
AGA A	100	-58	104	89	2.8	—
AGA B	99	—	104	88.50	2.3	—
Asea A	694	-9	703	848	1.7	—
Asea B	690	-8	705	844	1.7	—

SWITZERLAND (Apr 1 / Frs.)

TURKEY (Apr 1 / Tk Lira)

PACIFIC

JAPAN (Apr 1 / Yen)

HONG KONG (Apr 1 / H.K.$)

INDONESIA (Apr 1 / Rupiah)

MALAYSIA (Apr 1 / MYR)

NEW ZEALAND (Apr 1 / NZ $)

SINGAPORE (Apr 1 / S$)

AUSTRALIA (Apr 1 / Aus$)

SOUTH KOREA (Apr 1 / Won)

TAIWAN (Apr 1 / TW $)

THAILAND (Apr 1 / Baht)

AFRICA

SOUTH AFRICA (Apr 1 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Apr 1 / Can $) 3:15 pm

TORONTO (Apr 1 / Can $) 3:15 pm

From outer space to the factory floor Rockwell leads the way

Rockwell

INDICES

	Apr 1	Mar 29	Mar 29	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	18074.17	18058.90	18401.56	31/1	15626.81	19/3
Australia							
All Ordinaries(1/1/80)	2230.3	2225.6	2238.5	2323.46	4/3	2187.48	11/3
All Mining(1/1/80)	1041.1	1035.2	1048.0	1089.38	4/3	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	375.87	372.57	374.36	388.85	31/1	352.76	2/1
Traded Index(2/1/91)	1057.77	1050.81	1059.47	1094.88	7/2	975.27	2/1
Belgium							
BEL20(1/1/91)	1680.89	1639.43	1648.45	1765.21	7/3	1574.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	49549.0	49605.0	54109.00	2/2	43801.08	2/1
Canada							
Metals Minls(1975)	(u)	5326.22	5345.73	5403.82	19/3	4967.47	16/1
Composite(1975)	(u)	4970.83	4975.15	5050.88	14/2	4739.70	15/1
Portfolio(4/1/83)	(u)	2411.98	2426.97	2488.57	6/2	2327.38	12/1
Chile							
IPSA Gen(31/12/80)	(u)	5325.75	5336.59	5808.82	17/1	5322.12	27/3
Denmark							
CopenhagenSE(3/1/83)	386.06	384.74	383.21	391.36	13/2	368.40	2/1
Finland							
HEX General(28/12/90)	1831.07	1838.33	1833.68	1887.16	19/3	1651.47	10/1
France							
SBF 250(31/12/90)	1401.52	1392.96	1378.39	1401.52	1/4	1260.18	2/1
CAC 40(31/12/87)	2065.63	2044.77	2018.97	2065.63	1/4	1897.86	11/1
Germany							
FAZ Aktien(31/12/58)	884.51	881.82	888.76	892.36	27/3	818.58	2/1
Commerzbank(1/12/53)	2557.0	2560.1	2576.1	2604.10	27/3	2370.28	2/1
DAX(30/12/87)	2483.09	2485.87	2508.44	2526.42	27/3	2294.88	2/1
Greece							
Athens SE(31/12/80)	990.82	994.34	988.36	1017.86	4/3	801.34	3/1

	Apr 1	Mar 29	Mar 29	1996 High		1996 Low	
Japan							
Topix(4/1/68)	1649.75	1636.86	1620.89	1649.75	1/4	1524.12	13/3
2nd Section(4/1/68)	2066.77	2066.81	2042.88	2119.13	2/2	1982.76	14/3
Malaysia							
KLSE Comp.(4/4/86)	1158.44	1149.08	1146.87	1164.49	26/3	993.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3072.40	3080.44	3101.82	2/2	2738.36	8/3
Netherland							
CBS TtlRetGen(End 83)	590.7	588.5	582.5	590.70	1/4	538.50	2/1
CBS All Shr(End 83)	357.2	354.6	352.2	357.20	1/4	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2133.59	2162.67	2142.37	2203.06	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1329.90	1325.07	1326.91	1342.05	19/3	1258.48	30/1
Philippines							
Manila Comp(2/1/85)	2919.06	2900.75	2848.71	2952.81	22/2	2392.84	18/2
Portugal							
BNL 30(4/1/93)	1784.25	1778.43	1778.77	1784.25	1/4	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	579.11	585.34	587.51	618.37	5/2	593.89	2/1
South Africa							
JSE Gold(28/9/78)	1780.3	1780.6	1823.0	1917.90	7/2	1346.40	2/1
JSE Ind.(28/9/78)	8286.0	8269.6	8238.4	8738.30	25/1	8006.40	2/1
South Korea							
KoreaCompEx(4/1/80)	878.42	886.76	856.59	880.68	5/2	834.87	13/3
Spain							
Madrid SE(30/12/85)	342.06	341.64	339.40	345.87	1/3	323.75	11/1
Sweden							
AffarsvarldenGen(1/2/37)	1880.6	1898.0	1905.5	1927.00	19/3	1708.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1759.06	1755.33	1753.37	1784.85	27/3	1516.39	17/1
SBC General(1/4/87)	1243.82	1240.49	1240.21	1250.57	25/3	1114.47	26/1

INDEX FUTURES

US INDICES

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. (H) Some Hong Kong prices in Sat & Mon FTs were pre-close.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, April 1, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	14.7m	313	+4
Nippon Stl Corp	13.0m	369	+1
Mitsubishi Hvy	10.7m	922	-2
Mitsui E & S Bld	9.3m	327	+10
Shinko Electric	8.1m	999	+22
TEC Corp	8.0m	730	
Toshiba Corp	7.7m	825	+13
Pasco Corp	6.6m	670	+37
Sumitomo Mtl Ind	6.2m	330	-5
Nippon Hsg Loan	6.0m	4	-1

3:30 pm April 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¾	19⅜	AAR	0.48	2.3	22	86	20⅝	20½	20½	-⅛
44⅛	36⅜	AMP	1.00	2.4	21	2030	41⅞	41½	41¾	+¼
93⅜	65	AMR			35	3944	90⅛	88⅝	88⅝	-⅞
50½	27⅜	ASA	2.00	4.3	39	215	45¼	46	46⅛	-⅜
44¾	39½	AbbtL	0.96	2.3	10	9750	42	41¼	41⅛	+1
17¼	13⅜	Abitibi Pr	0.40	2.0	7	423	13¾	13⅝	13⅝	
33⅛	27	ABM Ind	0.70	2.1	17	12	u33⅜	33	33⅜	
15½	10⅞	Acptocain			54	88	u15½	15	15¼	-¼
50⅛	37¼	ACE Ltd	0.56	1.3	10	886	44⅞	44½	44½	-¼
6⅞	6⅜	ACM Gvt In	0.56	0.1	6	936	u9⅞	6⅜	0⅞	+½
7⅞	7⅛	ACM GvOpp	0.66	8.0		8	7⅝	7¼	7⅝	+¼
7¼	6½	ACM Gvt Sp	0.75	16.8		357	6⅞	6¾	6⅞	+½
9⅛	6¼	ACM Gvt Se	0.90	18.1		301	6⅞	6¼	6⅞	+⅛
6½	6⅞	ACM Mon	0.90	0.5		135	u9½	9⅜	9½	
31¼	17¼	AcmeClv	0.52	1.7	7	276	31⅛	30¼	30¼	-⅛
0¼	6⅛	Acme Elect			54	64	6⅝	6½	6½	
31¾	27⅛	Acordo	0.72	2.3	17	24	31½	31⅝	31⅝	-⅝
15⅞	12	Acuson			46	1172	15⅝	14⅞	16	-¼
19½	18⅞	Adams Exor	0.36	1.9	0	95	19⅛	19	10¼	
21¼	18⅛	AdvMic			6	2215	17¾	17⅝	17¾	+½
10¼	8½	Advest Grp	0.16	1.6	0	51	0¾	8½	9¾	+⅛
26⅛	9¼	Advo Inc	0.10	1.1	8	786	6⅜	9⅞	9⅜	-⅜
49⅜	41⅛	Aegon	1.26	2.7	16	154	u48⅝	48¼	48⅛	+1
5⅛	3½	Aerfh			6	216	4⅜	4⅜	4½	-⅛
78¼	66⅝	AetnaL	2.76	3.8	34	42641	75½	70	72⅝	-2⅞
33	28¼	Aflac	0.35	1.1	13	898	32¼	30¾	31⅞	+⅝

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

3:30 pm April 1

Continued from previous page

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
25 3/8	21 7/8	Yankee Egy	1.26	5.6	15	12	22 1/2	22 3/8	22 3/8	
49 1/2	43 7/8	York Int	0.36	0.7	28	983	u49 1/2	49	49 3/8	+3/8
5 3/4	3	Zapata	0.14	4.3	5	602	3 1/4	3 1/8	3 1/4	
7 1/2	5 7/8	ZemEl			3	558	6 7/8	6 3/4	6 7/8	+1/4
24 7/8	21 7/8	Zenith Nat	1.00	4.1	68	104	24 5/8	24 1/8	24 1/2	+1/8
7 1/8	6 1/2	Zenix Inc x	0.72	10.3		36	7	6 7/8	7	
18 1/4	15 3/8	Zero	0.44	2.0	16	278	16 3/4	16 5/8	16 5/8	-1/8
20 3/4	19 3/8	Zum Ind x	0.40	1.9	16	863	20 5/8	20 1/8	20 5/8	+3/8
11 1/4	10 3/4	Zweig Fund	1.12	10.0		298	d11 1/4	11 1/8	11 1/4	
9	8 1/2	Zweig Tot	0.84	9.5		180	8 7/8	8 3/4	8 7/8	+3/8

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX COMPOSITE PRICES

3:15 pm April 1

NASDAQ NATIONAL MARKET

3:15 pm April 1

AMERICA

Merger talks dominate as Dow rallies

Wall Street

Another round of mergers and demergers dominated early trading on Wall Street as US share prices rebounded somewhat after Friday's sell-off, *writes Richard Waters in New York*.

While the telecom and health insurance industries saw merger announcements that could have broader repercussions for consolidation in those sectors, General Motors came a step closer to spinning off EDS, a move that would create a new consulting company with a market value of more than $20bn.

The Dow Jones Industrial Average opened strongly but fell back, in line with the bond market, after evidence of stronger activity in the manufacturing sector during March. By midday, the index of big stocks was up 14.45 at 5,601.59 after Friday's fall of more than 40 points. The Standard & Poor's 500 was up 4.05 at 649.55, while the Nasdaq composite climbed 2.85 to 1,104.28.

Confirmation of merger talks between two regional telephone companies, Pacific Telesis and SBC Communications, set the telecommunications sector alight with talk of other takeovers to follow. The stocks of both declined, with Pactel down $¼ at $27¾ and SBC $⅞ lighter at $52⅝.

Shares of some other Baby Bells jumped on the news, with BellSouth climbing $1⅞ to $38⅝, Bell Atlantic rising $1⅞ to $63, and Nynex up $2⅜ at $52⅞.

An announcement that Aetna had agreed to buy US Healthcare, one of the US's largest owners of health maintenance organisations, hit the prices of other companies that had been seen as potential takeover targets. Among these, Pacificare Health Systems was trading at $79⅝, a fall of $2¼.

However, prices of other managed care companies that had been seen as possible targets for Aetna remained firm, reflecting a belief that the massive deal could lead to further deals in the health insurance industry. Shares in Humana rose $⅞ to $25⅝, while United Healthcare climbed $2⅞ to $63⅞. US Healthcare itself rose $6⅞ to $52⅝, while Aetna fell $2⅝ to $73⅛.

Shares in the different classes of General Motors stock moved in opposite directions yesterday. Class E stock, which is due to be converted into the stock of an independent EDS, was down $1⅞ at $55⅞ on news that the company's profits could be hit by a new long-term consulting agreement reached between the two sides. Meanwhile, class H stock, which is tied to the profits of GM Hughes, rose $⅞ to $63⅞ on reports that GM might spin off part of that company. GM's ordinary shares rose $1⅜ to $54⅞.

Canada

Toronto was mixed in midsession trade, boosted by a stronger Wall Street but kept in check by weak gold stocks. The TSE-300 composite index was 9.17 higher at 4,980.00 by noon.

Brazil edges ahead

Sao Paulo edged ahead as Bear Stearns raised its recommendation on the market to overweight from neutral, saying that Brazil's reform process appeared to be moving forward. The Bovespa index was 160.62 higher in late morning trade at 49,710.

CARACAS was softer in very thin trade, with investors reluctant to take positions ahead of the four-day holiday which will shut down the market from Thursday.

The Merinvest composite index was 0.61 easier in lunchtime trade at 165.68, with investors also reluctant to anticipate the reaction to an expected government announcement next week of major economic measures, which could include a devaluation and an increase in interest rates, as well as an increase in domestic gasoline prices.

MEXICO CITY was higher at midsession, with the IPC index gaining 12.63 at 3,085.03.

Telmex's L shares rose 2 centavos to 12.50 pesos.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	-0.37	-2.40	+5.36	+7.65	+6.40	+4.61
Belgium	-0.74	-3.73	+21.36	+1.00	-0.36	-2.02
Denmark	+1.39	-2.26	+21.21	+5.66	+4.51	+2.76
Finland	-1.87	-0.22	+12.80	+3.20	-1.65	-3.30
France	-3.33	+1.46	+13.11	+11.67	+10.31	+8.46
Germany	-0.69	-0.39	+27.43	+9.05	+7.52	+5.72
Ireland	+2.39	+1.85	+28.87	+5.69	+5.64	+3.87
Italy	-0.87	-5.26	-3.35	-3.11	-0.40	-2.08
Netherlands	+0.66	-2.64	+31.20	+8.54	+7.10	+5.30
Norway	-1.23	-1.10	+16.13	+3.79	+4.00	+2.26
Spain	+1.28	-1.75	+32.59	+6.40	+5.78	+4.01
Sweden	-0.82	+0.33	+35.13	+11.04	+11.99	+10.11
Switzerland	-0.33	+6.58	+45.01	+9.71	+7.86	+6.05
UK	-0.18	-1.08	+17.64	-0.99	-0.99	-2.70
EUROPE	-0.23	+0.19	+22.12	+5.47	+4.87	+3.11
Australia	-0.75	-4.16	+16.14	-0.20	+6.74	+4.96
Hong Kong	-0.26	-1.25	+22.66	+11.48	+13.38	+11.47
Japan	+3.17	+4.67	+24.92	+3.32	+1.49	-0.21
Malaysia	-0.23	+3.75	+11.91	+13.58	+16.00	+14.05
New Zealand	-0.52	+1.45	+6.12	+0.56	+6.53	+4.75
Singapore	-0.64	-1.54	+21.32	+7.72	+10.10	+8.25
Canada	+0.16	+0.70	+13.50	+5.29	+7.19	+5.39
USA	-0.76	-0.11	+28.20	+4.89	+6.68	+4.89
Mexico	+1.91	+7.44	+59.41	+13.32	+17.77	+15.79
South Africa	+1.19	+1.51	+28.41	+9.45	+2.01	+0.29
WORLD INDEX	+0.44	+1.13	+24.77	+4.94	+5.22	+3.45

† Based on March 29 1996.

EUROPE

Amsterdam selects growth stocks, AEX peaks

The growth status attached by Dutch market brokers to stocks in the food, brewing and retailing industries helped take AMSTERDAM to yet another all-time high, the AEX index closing a busy trading session 5.63 ahead at 537.28.

The food company Nutricia moved ahead Fl 10.20 or 6.2 per cent to Fl 175.70 in a further response to last week's healthy results; the brewer Heineken by Fl 9.70 to Fl 366.20 on talk that it might make a bid for Foster's, its Australian rival; and the retailer Ahold by Fl 4.40 or 5.5 per cent to Fl 84.10 on its own string of US supermarket takeovers.

A steady dollar and a firmer bond market underpinned the broad market gains, and financials with life insurance activities reflected the implied appreciation in asset value, Amev rising Fl 5.70 or 4.9 per cent to Fl 122.20.

Mr David Aserkoff of CS First Boston said the market was attractive: the Dutch central bank had been more aggressive than the Bundesbank on interest rate cuts, and the Dutch economy was outpacing Germany's in growth terms.

BRUSSELS strengthened 2.5 per cent, with hedging by Bel-20 linked funds and lower bond yields pushing the index up 41.45 to 1,680.89.

Tractebel, the utilities company, was one of the main beneficiaries, climbing BFr775 or 6.2 per cent to BFr12,475.

Fortis, the insurer, was BFr200 higher at BFr3,915 as analysts expressed scepticism about reports, denied by the company, that it could buy Vereinte Insurance from Germany's Allianz.

Société Générale de Belgique, Belgium's flagship holding company, picked up BFr5 to BFr2,405 ahead of reporting lower than expected 1995 results after the market closed.

PARIS made a 19-month high, the CAC-40 index closing 10.86 ahead at 2,055.63 in turnover of FFr4.52bn.

There was a contrast in oils: the French Finance Ministry denied rumours of an imminent sale of its remaining 10 per cent stake in Elf, which shed FFr3 to FFr338.50; but Total, lifted by a road show, put on FFr7.80 at FFr347.80.

Suez, which controls Société Générale de Belgique, rose FFr13.20 to FFr208.70 in advance of the latter's results. Alcatel Alsthom, up FFr16.10 to FFr483, extended last week's restructuring gains; and the retailing groups Carrefour and Promodes put on FFr52 at FFr3,740 and FFr38 at FFr1,383 respectively in an echo of Amsterdam's enthusiasm.

FRANKFURT went into holiday mode, turnover falling DM3bn to DM6.6bn and the Dax index showing every sign of range-trading, although a stronger dollar, bund futures rising in line with US Treasuries and, belatedly, a good start for the Dow left it at the higher end of its range at the close.

The Dax index finished 11.66 higher at an Ibis-indicated 2,500.75. Hoechst and Bayer fell out of the chemicals driving seat to be replaced by BASF, DM9.25 higher at DM409.75; BASF's lower drugs content made it more cyclical, and dollar-sensitive, but dealers thought this a weak argument for the stock.

Carmakers were prominent, Volkswagen recovering DM9 to DM522.50 after Friday's 5 per cent drop, and BMW rising DM10 to DM785. Mr Christopher Will at Lehman Brothers noted that VW, even after Friday's fall, had outperformed the Dax by 20 per cent over 12 months, whereas BMW had put in a 10 per cent underperformance. Perhaps, said Mr Will, BMW's full results and press conference in Munich today would herald a change in this situation.

ZURICH was supported by a stronger dollar and firmer bond futures, but volume was low and some price movements were exaggerated by the lack of liquidity. The SMI index ended 7.8 firmer at 3,654.3.

Among blue chips, Roche certificates gained SFr70 at SFr9,860 ahead of an expected announcement of a jubilee dividend when the company announces 1995 results on April 24, and amid rumours that the company was preparing a stock split. Nestlé picked up SFr12 to SFr1,354.

Sulzer registered eased SFr2 to SFr788, with news that group net profits had halved in 1995 proving in line with expectations.

Oerlikon-Buehrle slipped SFr1 to SFr125 ahead of the release of 1995 results after the market closed.

STOCKHOLM'S attention was focused on the successful debut of Scania, but the broad market was weak, reflecting falls in Ericsson and Investor. The Affärsvärlden general index fell 17.4 to 1,880.6.

Scania made a good start, closing at SKr183.5, against the offer price of SKr180. However, Scania's parent company, Investor, suffered as investors sold Investor to buy the newcomer. The stock fell SKr7.5 or 2.7 per cent to SKr266.5 after its recent strong run.

The higher than expected offer price for Scania initially lifted Volvo, but the shares receded to finish SKr1 down at SKr154.5.

Ericsson lost SKr3.5 to SKr143.5, having fallen in New York on Friday after some brokers downgraded Motorola, its US rival.

MILAN was unable to hold on to an early advance as the mood was soured by worries that no clear leader was emerging from the two main competing political blocs in the run-up to the general election on April 21.

The Comit index registered a rise of 1.30 to 582.23, but the real-time Mibtel index turned back from a high of 9,350 to finish 27 weaker at 9,284.

Banco di Napoli jumped L61.6 or 9.5 per cent to L701 as the shares returned to trade after last week's suspension, following the announcement of its rescue plan and record losses for 1995.

Written and edited by William Cochrane and Michael Morgan

Dutch leaders

Source: FT Extel

FT-SE Actuaries Share Indices

Apr 1						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1624.50	1623.72	1623.32	1623.66	1623.83	1624.20	1625.52	1626.48
FT-SE Eurotrack 200	1665.39	1665.92	1666.05	1667.01	1667.56	1667.00	1667.01	1668.62
	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25			
FT-SE Eurotrack 100	1620.63	1615.40	1626.36	1616.17	1622.07			
FT-SE Eurotrack 200	1679.78	1669.56	1680.20	1676.20	1674.58			

Base value 1000 (26/10/90). High/day: 100 - 1626.81; 200 - 1668.13 Low/day: 100 - 1622.69 200 - 1664.15 † Partial.

ASIA PACIFIC

Nikkei registers four-year high as $ ascends to Y107

Tokyo

The dollar's ascent to the Y107 level and hopes of fresh buying by domestic institutions boosted the Nikkei average to a four-year high, *writes Emiko Terazono in Tokyo*.

The 225 index closed 153.54 ahead at 21,560.39 after moving between 21,451.07 and 21,757.84. Domestic investors continued to purchase large-capital steels and shipbuilders, while foreigners were also active buyers. Hopes of buying by pension funds also prompted activity. However, caution set in during the afternoon and the index lost some of its earlier gain.

Volume totalled 650m shares, against 593m. The Topix index of all first section stocks rose 12.87 to 1,649.75 and the Nikkei 300 by 2.01 to 307.92. Advances led falls by 858 to 253, with 110 issues unchanged.

In London the ISE/Nikkei 50 index put on 2.65 at 1,442.03.

Investors cheered the Nikkei 225's rise above the 21,552.81 posted in June 1994, the highest level since it plunged to 14,000 in 1992. "The market finally seems to have seen some light," said an analyst.

The liquidation of Taiheiyo Bank, announced over the weekend, hardly affected overall investor confidence. Traders said investors were encouraged by the bailout of the regional bank by four leading commercial banks – Sakura Bank, Sanwa Bank, Tokai Bank and Fuji Bank.

Taiheiyo saw heavy selling and ended at an offered price of Y210, down Y80 from its previous close, but Sakura Bank rose Y10 to Y1,230 and Fuji Bank by Y40 to Y2,370.

The dollar's advance against the yen boosted high-technology stocks. Toshiba climbed Y13 to Y825 and Fujitsu Y12 to Y999. Car issues were also higher. Nissan Motor gained Y17 at Y845 and Mazda Motor Y12 at Y442.

Large-capital steels had NKK, the most active issue of the day, up Y4 at Y313.

Honshu Paper, which announced its merger with New Oji Paper last Friday, jumped Y33 to Y762. The merger ratio will be five New Oji shares for six Honshu; New Oji fell Y25 to Y950.

In Osaka, the OSE average moved up 198.68 to 22,754.45 in volume of 62.2m shares.

Roundup

The first day of Taiwan's inclusion in the Dow Jones World Stock Index took TAIPEI sharply higher. The weighted index rose 95.14 to 5,127.49, its highest since January 4, as volume jumped to 1.1bn shares.

The market was led by large-capitalisation steel blue chips, which added 3.3 per cent, and the petrochemical sector.

KARACHI recouped some of Sunday's 3 per cent fall, on renewed speculative buying of Hub Power and PTCL. The KSE-100 index rallied 21.55 or 1.4 per cent to 1,589.56. Hub Power put on Rs1.25 at Rs29.30 and PTCL Rs0.40 at Rs33.10.

HONG KONG was held back by pre-holiday caution and the Hang Seng index finished 30.36 off at 10,926.84 in weak turnover of HK$3.4bn.

Sun Hung Kai Properties jumped HK$1.25 to HK$70.50, after the consortium of which it is a part won the contract for the prime Central airport rail terminal development and the river trade terminal project late last week.

SINGAPORE was weak on low volume selling by institutional and retail investors after the recent spate of poor corporate results. The Straits Times industrial index lost 11.26 at 2,376.03, while Sembawang, which reported last Friday, fell 20 cents to S$8.85.

KUALA LUMPUR was taken higher by activity in second board shares, but the broad market was mixed as investors reacted to the flood of earnings reports over the weekend.

Analysts said that while the results showed no outstanding performers, high liquidity could provide the foundation for a steady climb in the near term. The composite index improved 9.36 to 1,158.44.

SEOUL was higher on the first day of trading after the foreign stock ownership ceiling was raised to 18 per cent from 15 per cent. The composite index ended 4.26 up at 878.42, having overcome heavy early selling by local institutions which wanted to capitalise on increased foreign buying.

BOMBAY was closed for a Hindu festival but blue chips on the National stock exchange finished the first day of the new fiscal year on a slightly stronger note.

SHANGHAI'S hard currency B share index rose 0.270 to 50.636, in volume of 3.9m shares. It was spurred higher by the end of an interest rate subsidy on new deposits of three years and more, which triggered hopes that the tight money policy, in place since mid-1993, would be eased.

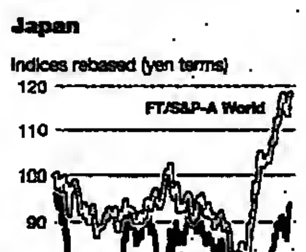
SYDNEY was weak in the absence of new leads and as balance of payments figures for February proved in line with expectations.

The All Ordinaries index finished 14.9 lower at 2,210.7.

MANILA saw cautious buying of selected issues, and moderate turnover, as the composite index climbed 19.33 to 2,919.08. JAKARTA lifted Gudang Garam by more than a percentage point to Rp29,250 after the announcement of a new, four-tier excise tax system which seemed to benefit the cigarette maker, cutting its excise duty level from 38 to 36 per cent. The composite index rose 1.99 to 597.60.

WELLINGTON lost 6.5 points on the NZSE-40 as a result of stocks going ex-dividend, but the key index fell 29.08 to 2,133.59 as all leading stocks lost ground. Brokers said most of the weakness was a correction, after fund managers pushed prices higher last Friday in a bout of end-quarter window-dressing.

Japan



Source: FT Extel

Bullion slide hits S African golds

Johannesburg closed a quiet day moderately lower, with the weakness compounded by a number of large index stocks trading ex-dividend. Golds fell on a sliding bullion price, and any strength in industrials was capped by sales of index shares which had been bought to window dress unit trusts ahead of last Friday's March quarter end.

The overall index receded 40.6 to 6,708.0, industrials shed 3.6 to 8,386.0 and golds retreated 30.3 to 1,750.3.

FT/S&P ACTUARIES WORLD INDICES

The FT S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 29 1996								THURSDAY MARCH 28 1996					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	199.45	-0.4	193.71	134.65	153.09	168.57	-0.3	4.10	200.18	194.84	134.86	153.63	170.10	202.74	158.93	158.93
Austria (24)	182.58	-0.5	177.33	123.26	140.14	139.98	-0.7	1.55	183.58	178.69	123.50	141.07	140.91	199.28	168.11	185.83
Belgium (33)	204.91	0.0	199.01	138.33	157.28	153.31	-0.2	4.07	204.99	199.52	137.90	157.52	153.58	215.81	177.84	178.85
Brazil (28)	153.90	-0.3	146.48	103.90	118.13	279.81	-0.3	1.57	154.42	150.30	103.86	118.66	280.72	170.25	106.08	117.84
Canada (101)	156.44	-0.4	151.94	105.61	120.08	154.35	-0.4	2.44	157.02	152.83	105.63	120.66	155.01	158.71	132.37	133.79
Denmark (33)	296.74	0.9	288.20	200.33	227.76	229.99	0.8	1.81	294.01	286.16	197.79	225.83	228.21	305.17	252.41	253.23
Finland (24)	180.90	0.7	175.70	122.13	138.85	175.83	0.5	2.80	179.74	174.94	120.91	138.12	175.03	278.11	171.13	171.13
France (98)	194.59	1.3	188.99	131.36	149.36	153.69	1.1	3.10	192.07	186.94	129.21	147.59	152.03	194.59	167.70	177.91
Germany (60)	173.06	-0.6	168.08	116.83	132.83	132.83	-0.7	1.96	174.10	169.46	117.12	133.79	133.79	174.38	142.25	145.58
Hong Kong (59)	432.18	-0.5	419.75	291.76	331.72	429.07	-0.5	3.24	434.39	422.80	292.22	333.80	431.21	451.19	323.87	352.34
Ireland (16)	265.40	1.2	257.77	179.17	203.71	237.39	0.8	3.41	262.34	255.34	176.48	201.59	235.43	265.40	211.14	211.14
Italy (59)	72.17	1.4	70.10	48.72	55.40	84.61	1.2	2.14	71.21	69.31	47.90	54.72	83.61	82.71	67.09	68.90
Japan (482)	154.61	0.6	150.16	104.37	118.67	104.37	1.0	0.73	153.67	149.57	103.38	118.09	103.38	164.82	137.75	150.01
Malaysia (107)	553.30	0.8	537.38	373.53	424.66	538.81	0.2	1.61	550.25	535.56	370.17	422.83	537.81	561.96	425.77	493.39
Mexico (18)	1199.32	0.0	1184.83	809.66	920.55	9867.67	-0.1	1.41	1199.67	1167.65	907.05	921.88	9902.88	1237.14	791.99	803.68
Netherland (19)	287.17	0.8	278.91	193.87	220.42	218.59	0.5	3.21	285.43	277.82	192.02	219.34	215.49	287.17	233.17	234.48
New Zealand (15)	63.44	1.8	61.04	56.33	64.05	65.05	1.3	4.23	61.99	79.60	55.15	63.00	64.24	65.49	74.86	74.85
Norway (33)	236.50	-0.1	229.70	159.66	181.53	205.86	-0.3	2.42	236.74	230.42	159.26	181.92	206.42	243.79	206.13	207.93
Singapore (44)	440.83	0.4	428.15	297.60	338.36	285.90	0.3	1.40	438.98	427.26	295.31	337.33	285.01	465.21	355.81	361.31
South Africa (45)	386.46	1.0	375.34	260.90	296.63	336.04	0.4	2.51	382.52	372.31	257.33	293.94	334.79	437.76	333.22	333.68
Spain (37)	171.61	0.7	166.87	115.99	131.88	181.55	0.5	3.40	170.54	165.93	114.73	131.05	160.71	175.88	125.91	125.81
Sweden (46)	343.84	-0.9	333.76	231.99	263.78	340.01	-0.5	2.44	346.65	337.40	233.20	268.38	341.54	352.26	232.23	232.23
Switzerland (39)	250.26	0.2	243.08	168.95	192.09	184.69	0.0	1.54	249.64	242.97	167.84	191.83	184.86	252.34	177.97	180.91
Thailand (46)	178.85	1.0	173.70	120.74	137.28	175.13	1.0	1.88	177.08	172.35	119.12	136.07	173.43	193.95	134.53	143.08
United Kingdom (205)	228.92	0.8	222.34	154.54	175.71	222.34	0.7	4.11	226.87	220.82	152.62	174.34	220.82	236.50	205.26	205.27
USA (631)	263.53	-0.5	255.95	177.91	202.28	263.53	-0.5	2.15	264.77	257.70	178.11	203.46	264.77	269.11	204.49	205.56
Americas (778)	240.53	-0.5	233.61	162.38	184.82	202.16	-0.5	2.19	241.63	235.19	162.55	185.68	203.10	245.54	187.12	188.09
Europe (726)	207.12	0.5	201.17	139.83	158.98	179.19	0.4	3.06	206.01	200.51	138.59	158.30	178.51	207.12	175.51	176.17
Nordic (136)	292.72	-0.3	284.31	167.62	224.68	252.80	-0.1	2.37	293.59	285.76	197.51	225.61	253.16	297.48	222.22	222.22
Pacific Basin (834)	167.72	0.5	162.89	113.22	128.73	115.92	0.8	1.16	166.91	162.46	112.26	128.26	115.06	171.87	148.85	158.26
Euro-Pacific (1560)	184.03	0.5	178.74	124.24	141.25	139.85	0.6	2.05	183.10	178.21	123.17	140.70	139.14	184.III	163.92	165.63
North America (732)	256.91	-0.5	249.52	173.44	197.19	256.22	-0.5	2.20	258.10	251.21	173.63	198.34	257.41	262.26	200.12	201.11
Europe Ex. UK (521)	189.97	0.3	184.51	128.25	145.81	153.98	0.2	2.50	189.31	184.26	127.35	145.47	153.64	189.97	155.95	158.99
Pacific Ex. Japan (352)	289.44	0.0	281.11	195.40	222.16	251.04	-0.1	2.94	289.56	281.83	194.79	222.51	251.36	293.58	235.64	239.58
World Ex. US (1752)	185.27	0.5	173.94	125.08	142.21	144.15	0.5	2.05	184.37	179.45	124.03	141.68	143.37	185.27	164.41	165.99
World Ex. UK (2178)	207.30	0.0	201.34	139.95	159.12	174.08	0.1	1.83	207.29	201.78	139.45	159.29	173.96	207.64	173.77	175.21
World Ex. Japan (1901)	239.67	-0.1	232.78	161.80	183.96	225.81	-0.1	2.54	239.85	233.45	161.35	184.31	226.14	242.17	193.88	194.38
The World Index (2383)	209.27	0.1	203.25	141.28	160.63	178.52	0.1	2.12	209.10	203.52	140.67	160.68	178.33	208.73	176.58	177.84

CONSTITUENT CHANGES WITH EFFECT 9/4/96: Additions: Scania (A & B) (Large Cap) (Sweden). CONSTITUENT CHANGE WITH EFFECT 2/4/96: Deletion: Alberta Natural Gas (Canada). Latest prices were unavailable for this edition.

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